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Dubai gets help to pay its debt

By Margaret Coker

ABU DHABI—After enduring weeks of its own bond-market pain, this city-state came to the rescue of its cash-strapped neighbor Dubai on Monday, a move that could be as good for Abu Dhabi in global markets as it is for Dubai.

By underwriting Dubai World, the parent of Dubai's port operator and the conglomerate at the heart of Dubai's debt woes, Abu Dhabi triggered an immediate bout of investor optimism that promises to ease its own borrowing costs. The move also appeared aimed at protecting the United Arab Emirate's reputation as a global transportation hub, according to one person familiar with the situation.

On Monday, Dubai said the government of Abu Dhabi would provide $10 billion to meet the debt obligations of Dubai World, which previously said it would restructure $26 billion in debt. Monday's funding brings Abu Dhabi's direct and indirect support for Dubai to $25 billion so far. That sent stock markets in both countries soaring.

The timing of the bailout coincided with a deadline for a $4.1-billion payment related to an Islamic bond, or sukuk, issued by Dubai World's real-estate subsidiary Nakheel, which matured Monday. But it also raised fresh questions about the opaque and complicated relationship between Abu Dhabi, the capital of the U.A.E., and Dubai, its financial and trade hub.

The two city-states are the biggest and richest of the seven emirates that make up

Please turn to page 20

Hamas supporters observe 22nd anniversary of Islamist movement's founding

Getty Images

Tens of thousands of Hamas supporters marked the 22nd anniversary of the group's founding in Gaza City Monday, a massive rally that showed the militants still enjoy wide support.

Citigroup to repay Treasury

By Matthias Rieker And Nathan Becker

Citigroup Inc. will repay $20 billion in government assistance and exit from a program under which the U.S. would cover losses on billions of dollars in loans, bringing an end to months of wrestling with its regulators and the Treasury Department.

Citigroup will raise $20.5 billion mainly by issuing common stock to repay the Treasury. The bank also has decided to replace some of the cash it had agreed to pay employees with $1.7 billion in stock.

The Treasury, meanwhile, will begin the process of unwinding its 34% stake in Citigroup by selling as much as $5 billion of its common stock. It will sell the rest of the stake over the next six to 12 months.

The deal brings to an end months of haggling over whether Citigroup was healthy enough to emerge from government protection and exactly how that should be accomplished. It is a victory for Chief Executive Vikram Pandit, who took over Citigroup in the midst of the financial crisis and faced the prospect of being the last major Wall Street bank still

Please turn to page 20

Exxon agrees to $31 billion gas deal

By Kevin Kingsbury And Jason Womack

Exxon Mobil Corp. agreed to acquire **XTO Energy** Inc. in a $31 billion all-stock deal, taking advantage of low natural-gas prices to bolster the oil giant's presence in the gas industry.

The deal ends speculation about when Exxon, which hasn't made a major deal since it merged with Mobil a decade ago, would exploit the lower gas prices pressuring smaller, debt-laden companies in the oil patch.

The agreement also signaled the possibility of more acquisitions in the natural-gas sector, especially in XTO's niche of extracting gas from shale rock. The weak economy and vast discoveries of North American natural gas have kept a lid on gas prices, leaving companies in the industry strapped over how to pay for operations and finance growth.

Getty Images

Exxon and other major oil firms have been increasingly vocal about the role of natural gas, which burns relatively cleanly compared with oil.

XTO has been a major player in extracting natural gas from so-called unconventional places such as shale rock and says it controls an estimated 45 trillion cubic feet of gas. Tapping gas trapped in these hard rocks has been a boon for the industry, helping to increase U.S. supply and contributing to a plunge in natural-gas prices.

XTO has set itself apart from other natural-gas companies by staying focused on its specialty, generally steering clear of other types of exploration, such as deep-water drilling. XTO's third-quarter earnings fell just 4% despite the price slump as production rose 23%.

But the company has grown extensively the past year or so through acquisitions, taking on debt. Exxon, based in Irving, Texas, will assume $10 billion in XTO debt in the acquisition.

For resource-rich XTO, the deal gives it access to much needed capital for expansion. Exxon, on the other hand, gets an opportunity to put its capital to use to expand its resource base, especially in U.S. shale.

In the deal announced Monday, XTO holders will get

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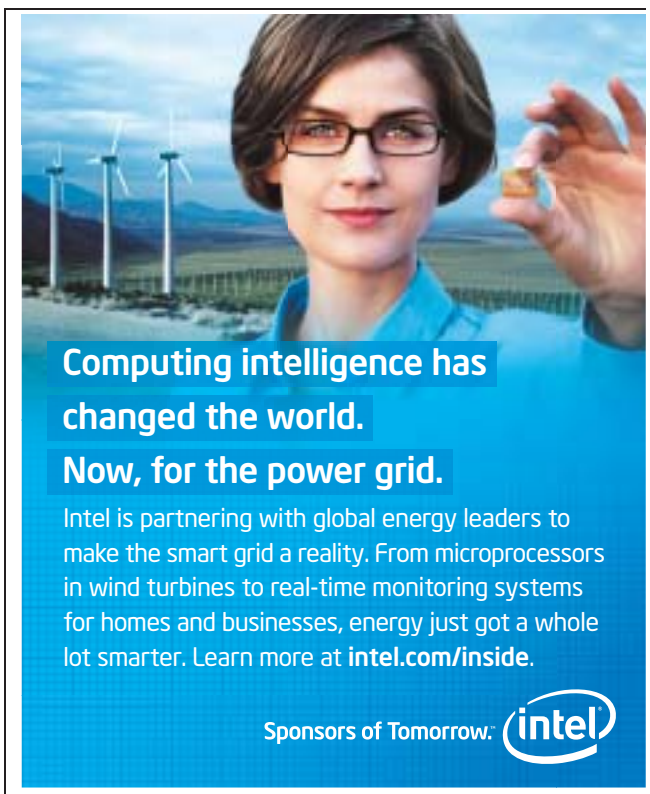
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Business & Finance

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Reuters

Japanese Prime Minister Yukio Hatoyama, right, welcomed Chinese Vice President Xi Jinping in Tokyo on Monday, in a sign of warming ties between Asia's biggest powers. "The fact that you are visiting as a next-generation leader is a great thing for the future of Japan-China relations," Mr. Hatoyama told Mr. Xi at the opening of their meeting. In a statement reported by China's Xinhua news agency, Mr. Xi stressed the importance of developing relations between the countries.

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■ **A Pakistani court ordered** that the five Americans being detained on suspicion of terrorist links not be deported until the judge reviewed their case. **6**

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India Journal

india.wsj.com

"Moving overseas, all Indian companies will face an image deficit which, like it or not, they will have to overcome if they are to succeed."

Paul Beckett, the WSJ's bureau chief in New Delhi

Continuing coverage

Follow the latest news from the climate conference in Copenhagen at **asia.wsj.com**.

Digits

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Facebook changed the way its privacy settings work recently, and its chief executive's profile has become a hot topic amid the discussion.

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WORLD NEWS

Japan firms show improved outlook

Bleak perspective on capital expenditures shows most businesses remain cautious about global recovery, tankan shows

By Tomoyuki Tachikawa And Megumi Fujikawa

TOKYO—Sentiment among big manufacturers in Japan has improved as the world economy recovers, but a bleak outlook for capital expenditure suggests a cautious stance among businesses, the Bank of Japan's December *tankan* survey showed Monday.

The headline diffusion index in the central bank's quarterly survey of corporate sentiment showed that conditions among large manufacturers rose to minus 24 in December from minus 33 in the September survey.

That marked the third consecutive quarter of improvement, and beat the median forecast of economists surveyed by Dow Jones Newswires for minus 27.

Sentiment among large nonmanufacturers also improved to minus 22 in December from a reading of minus 24 three months before.

The figures represent the percentage of companies saying business conditions are good minus those saying conditions are bad. The negative numbers mean many respondents still feel the environment is dismal.

Monday's results indicate that some sectors of the economy are recovering in part because the central bank earlier this month introduced a plan to make as much as 10 trillion yen ($112 billion) available to the market to make financial conditions more accommodating.

But Japan's business mood may sour again as concerns linger that falling prices will continue to squeeze corporate profits and the yen's appreciation could hurt export-sector earnings, analysts said. If the pace of the nascent economic recovery slows further, that may put pressure on the BOJ to ease monetary policy even more, they added.

The tankan survey is thought to influence the central bank's policy decisions.

The index measuring expectations for business investment—a key driver of growth that accounts for 15% of Japan's gross domestic product—turned out weaker, suggesting domestic demand will likely remain sluggish for the time being.

Big businesses plan to lower capital spending by 13.8% in the fiscal year ending in March. That was revised down from the 10.8% slide projected in September.

A man rides an escalator at a business district in Tokyo Monday.

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India might drain cash as inflation pressure rises

By Neelabh Chaturvedi

NEW DELHI—India's wholesale inflation rate accelerated in November, raising the odds of cash-draining measures before the central bank's next policy review meeting in January.

The wholesale-price index, India's main gauge of inflationary trends, rose 4.78% from a year earlier as food prices continued to climb, according to provisional data issued Monday by the Ministry of Commerce and Industry.

The rise in the wholesale inflation rate in November isn't entirely surprising, and the government doesn't see the need for any emergency action at this stage, Finance Secretary Ashok Chawla said.

"We need to watch further and see whether this is purely due to a base effect or whether it's a trend which will continue," he said.

Authorities have tried to flag worries over inflation in recent days, with RBI Governor Duvvuri Subbarao saying last week that a persistent rise in prices could build inflationary expectations, despite the current run-up being due to supply shortages rather than a surge in demand.

November's price increases, together with a steady recovery in the economy, may give the central bank room to temper prices by siphoning off the excess liquidity it pumped into the local financial market over the past year, analysts said.

Nitesh Ranjan, an economist at Union Bank of India, expects the Reserve Bank of India to raise the cash reserve ratio—the proportion of deposits banks must set aside as cash—by a half point to 5.50% before its next review meeting on Jan. 27.

The central bank refrained from raising interest rates at its last review meeting in October, but asked banks to buy more bonds as a share of their deposits. The statement accompanying that decision put price stability at the top of the bank's priorities.

—Mukesh Jagota contributed to this article.

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Ministry defends rules

Beijing rebuts foreign critics calling procurement process protectionist

By Loretta Chao

BEIJING—A Chinese ministry defended recently issued government procurement measures, saying the rules don't discriminate against foreign companies operating in China but leaving unaddressed fears of international industry groups that the requirements put those firms at a disadvantage.

The rules, issued on an official Web site in October and reported Thursday by The Wall Street Journal, establish an accreditation system for state agencies buying technology goods that gives preference to products containing domestic intellectual property. More than 30 industry groups, representing most of the world's major technology companies, wrote a letter Thursday to the Chinese government saying the requirements are onerous and discriminatory, and violate Beijing's commitments to resist protectionism.

In the government's first response to the uproar, a Ministry of Foreign Affairs spokeswoman issued a written statement late Monday saying the accreditation system "accords with China's indigenous innovation strategy, and accords with international rules." The statement, faxed to the Journal, said the accreditation system "treats both domestic- and foreign-invested enterprises equally, without discrimination," and "encourages all enterprises in China to carry out innovative activity, and supports enterprises to increase their investment in R&D, and the formation of indigenous intellectual property rights."

But the ministry's statement, which hews largely to the language of the rules issued in October, indicates that only technology originated or "re-innovated" in China will be considered for the "indigenous innovation" accreditation. It doesn't directly address global industry groups' concerns that many technology products, sold by foreign and domestic vendors, are developed globally and contain intellectual property whose geographic origin is difficult or impossible to discern.

Foreign-industry officials have said they fear that the accreditation system could force them to transfer intellectual property rights to China—a concern that also wasn't discussed in the statement.

The officials were dismissive of the Chinese statement. "The suggestion of 'equal treatment' in this case does not mean 'fair treatment,' " said John Neuffer, vice president for global policy at the Information Technology Industry Council, a Washington, D.C.-based group that signed last week's letter.

"While the Chinese government appears to be arguing this applies to both Chinese and foreign companies equally, it's clear there's discrimination based on the nationality of the [intellectual property rights]," added Jeremie Waterman, senior director of greater China for the U.S. Chamber of Commerce, which was a signatory to the letter.

At stake in the spat over the rules is the multibillion-dollar market for tech products—including office equipment, computers, software and new energy products—procured by Chinese government agencies. The value of contracts that would be covered by the new rules isn't clear, but according to the Ministry of Finance, purchases through public procurement, including nontech goods, totaled about $88 billion in 2008.

Chinese executives and industry experts have defended the rules, saying they address disadvantages that domestic companies face against bigger, more established foreign rivals. But Chinese executives also say the rules are too vague and difficult to enforce to make a big difference.

The Ministry of Foreign Affairs wasn't involved in issuing the procurement rules, which came from the Ministry of Science and Technology, the Ministry of Finance and the National Development and Reform Commission. Those agencies have refused to comment since Thursday. When asked Monday to elaborate on the foreign ministry's statement, a news official from that office referred queries to the other ministries.

The foreign-ministry statement comes after the Dec. 10 deadline for companies to apply for accreditation for their products. Several leading multinational technology firms with operations in China have declined comment on whether they submitted applications.

Foreign-ministry spokeswoman, Jiang Yu, reiterated in the statement that the new system is part of China's broader indigenous-innovation strategy, an effort over the past decade to wean China off costly foreign technology. She said the rules comply with World Trade Organization requirements. China hasn't signed on to the WTO's voluntary Agreement on Government Procurement, and so isn't covered by its rules barring discrimination against foreign companies bidding on government projects.

—Kersten Zhang in Beijing contributed to this article.

Reuters

Chinese workers outside Almaty, Kazakhstan, on Saturday celebrate the inauguration of part of the Central Asia-China pipeline.

Central Asian gas pipeline opens

China's President Hu Jintao opened a pipeline to transport natural gas from Central Asia to China, state-run Xinhua news agency reported Monday.

Construction on the pipeline, which runs through Uzbekistan, Kazakhstan and China's Xinjiang province, began in July 2008. China is scheduled to receive five billion cubic meters of natural gas next year through the pipeline. The line will have its initial transmission capacity doubled to 30 billion cubic meters a year by October.

Gas imports to China via the pipeline are expected to help alleviate severe shortages in some domestic markets. Demand for gas—widely used for heating and cooking—has soared since the beginning of November due to colder-than-usual weather across China.

Mr. Hu, together with Turkmen President Gurbanguly Berdymukhamedov, Uzbek President Islam Karimov and Kazakh President Nursultan Nazarbayev at a ceremony in a gas plant near the Turkmen-Uzbek border on Monday, described the pipeline project as a successful example of cooperation among countries in the region, Xinhua reported.

中国实时报
CHINAREALTIMEREPORT

Some experts, the China Daily said, see an agenda behind the interest in China.

The Wall Street Journal's China Real Time Report **(http://blogs.wsj.com/chinarealtime)** *this past week looked at China as the top story of the past decade, a survey of U.S. firms and a remake of the movie "Red Dawn." Excerpts:*

It's official: China's rise is biggest news story

We have long felt that China is the most important story around, but now we have proof from Global Language Monitor's announcement last week: "Top News Stories of the Decade: The Rise of China surpasses Iraq War and 9/11."

GLM, an Austin, Texas-based company, based its ranking on tabulating citations over the decade "on the Internet, the blogosphere, including social media, as well as the top 50,000 print and electronic media sites."

The results weren't even close. GLM says the "Rise of China" (it searched the phrase itself and related word groupings) had a score 400% that of the No. 2 Internet story—the Iraq War. China also beat out the election of Barack Obama, the global recession, and even Michael Jackson's death (No. 5).

Apparently, some in China didn't appreciate the honor. China Daily, the state-run English-language newspaper, paraphrased one expert as saying the ranking "was partly aimed at trumpeting the so-called China threat." The paper cited another Chinese scholar as saying, "The West is now keen to picture China as an economic giant so that it could ask Beijing to do a lot more than it has committed such as rolling out a fresh stimulus package, revaluating its currency, reducing its greenhouse-gas emissions further and continuing to buy U.S. bonds."

We spoke to GLM President and Chief Word Analyst Paul JJ Payack, who said he was, well, surprised at this take—especially since the hidden anti-China agenda it suggested is, he said, "the complete opposite of what we found" in media coverage that seemed largely favorable about China's rise.

—Jason Dean

U.S. companies suspend some euphoria for nation

China's four trillion yuan ($586 billion) economic stimulus package is credited with cushioning the global economy, supporting demand for raw materials and creating more consumers.

Yet, among U.S. companies operating in China, just 10% say the package had a significant positive impact on their operations.

A new survey by the American Chamber of Commerce in Shanghai finds that a chunk of U.S. companies expect to record a drop in revenue and losses for 2009 from their China operations, while most are signaling less enthusiasm for investment.

To be sure, more than 90% of the 369 U.S. corporate members that answered the survey said they maintain a positive five-year view on China. While that is a more positive outlook than members gave in the past two years, it sagged below figures in Amcham surveys during the early and middle part of the decade.

More companies than ever before in the survey—58.6%—said their goal in China is to produce or source goods and services for Chinese consumption. Just 16.3% said the primary goal was to service the U.S.

—James T. Areddy

Invading the U.S., sort of

Back in 1984, when Russia was still the Soviet Union, Hollywood tapped Cold War fears in movies like "Red Dawn," about spunky teenage resisters led by Patrick Swayze fighting off a communist invasion of America.

What's a screenwriter to do now that the Soviet Union's gone and the Cold War is a microwaved warmish mush? Hello China.

"Red Dawn" is being redone, with China taking over the U.S. instead of the Russians. The movie is expected to be released in 2010, and pictures of the set have been leaked onto Chinese Web sites showing Chinese troops and propaganda posters covering a small American town.

One photo of the set shows the "Chinese/American Friendship Center" with posters of a brawny Chinese worker hammering a dollar sign back into shape under the slogan "repairing your economy." Other pictures from the set show the People's Liberation Army insignia—the Chinese characters for 8-1, the army's founding date of August—imposed on the American flag.

Chinese reaction is mixed. Some applaud the idea of China's rising military strength. Others applaud America's freedom to be able to produce such a film, pointing out it would be impossible to get a movie of a U.S. invasion of China past the government's censors.

—Shai Oster

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China to push low-end homes to lower prices

By Shen Hong

SHANGHAI—China's State Council said Monday it will step up efforts to rein in what it calls an "overly fast" rise in property prices in some cities by boosting the supply of inexpensive public housing and redeveloping slum areas.

The pledge by China's cabinet underlines the top leadership's growing concern about long-term inflationary pressure building as a result of a fast economic recovery spurred by a government-engineered credit boom and massive public spending. Beijing also faces growing public anxiety over an overheated property sector, as well as a potential asset bubble in the stock market, which could eventually threaten social stability.

China's urban property prices grew at their fastest pace in 16 months in November, with residential prices surging 5.7% from a year earlier in 70 large and medium-size cities, according to National Bureau of Statistics data.

November's increase was the sixth in a row and the biggest since July 2008's 7% rise.

Wang Shi, the chairman of **China Vanke** Co., the country's largest property developer by market value, warned earlier this month that real-estate bubbles in some of China's biggest cities could spread to other parts of the country.

The State Council said a meeting chaired by Premier Wen Jiabao concluded that the country will speed up the construction of public housing, improve supervision of the property market and stabilize market expectations about property prices, according to the central government's Web site.

China will redevelop slum areas, state-owned factories and mines over a five-year period, it said.

The State Council also said the government will encourage banks to lend for urban redevelopment and waive some taxes for certain projects, while curbing speculative property investments and preventing housing-related credit risks.

Chen Sheng, director of local research firm China Index Academy, said the government's comments on the real-estate market are in line with Beijing's goal of adjusting the economic structure in 2010.

The policy for the property market will focus on encouraging the building and selling of government-subsidized housing, rather than on regular and more expensive residential properties, he said.

Liu Kun, an analyst at Great Wall Securities, said: "In terms of boosting the supply of public housing, it's easier said than done because local governments, especially those in poor inland areas, either lack incentives or don't have the financial resources to do so."

Despite Beijing's repeated calls for boosting the role of cheap public housing in the country's property market, local governments have been reluctant and slow to respond.

Monday's move follows the state council's decision last week that, starting next year, sales of homes by individuals will be exempt from tax only after at least five years of ownership. The government in January had reduced the period to two years to encourage home sales.

—Li Liu and Joy C. Shaw contributed to this article.

Pakistan holds on to Americans

Lahore court says not to deport five men suspected of terror links until a judge reviews the case

By Zahid Hussain

A Pakistani court Monday ordered that the five Americans being detained on suspicion of having terrorist links not be deported to the U.S. or any other country until the judge reviewed their case.

The men, who were picked up earlier this month in eastern Pakistan, are being interrogated by Pakistani and American investigators. They haven't been formally charged. Pakistani officials had said the men would probably be deported to the U.S. after the investigation in Pakistan ended.

Pakistani police said Monday that they seized the men's luggage from a hotel in the southern port city of Karachi. The men stayed at the hotel for several days after their arrival in Pakistan on Nov. 30, police said.

Pakistani investigators had earlier said the men met a contact in the Karachi before leaving for the town of Sargodha in the province of Punjab, where they were caught last week. They were in contact with Jaish-e-Mohammed, an outlawed Pakistani militant group loosely connected with al Qaeda, officials familiar with the investigation said.

A police investigation report seen by The Wall Street Journal said the men were deeply religious and wanted to join the struggle against the people they believed committed atrocities against Muslims.

One of the men, Ahmed Abdullah Minni, used to visit YouTube online and watch videos of attacks on U.S. forces. Mr. Minni was contacted by a person named "Saifullah" through YouTube. Later the two switched to another method of contact that couldn't be intercepted by intelligence agencies, the report said.

The police report said the five men made plans with Saifullah to go to Afghanistan. On Dec. 1, the five men went to Hyderabad, where they visited a madrassa run by Jaish-e-Mohammed and expressed their desire for jihad. The management refused to help them and advised them instead to go to Lahore and contact another group, Jamat ud Dawa. They proceeded to Sargodha after being rebuffed by Jamat ud Dawa, which the United Nations has declared a terrorist organization.

The Lahore High Court's ruling was in response to a petition filed by a civil-rights activist against deportation of the men. The judge in the case said he needed more information before anyone could be deported. The men are being held in Lahore.

The court ordered the Punjab provincial government and the Federal Interior Ministry to submit more information on Dec. 17, when it would resume the hearing on the petition.

A spokesman of the U.S. embassy in Islamabad declined to comment whether the U.S. is seeking deportation of the men.

Thais examine North Korea cargo

Thailand's seizure of a plane packed with North Korean arms signals a possible escalation of international pressure on North Korean activities overseas that, if sustained, could threaten the financial health of its regime.

*By **Patrick Barta, Evan Ramstad** and **Daniel Michaels***

Thai authorities said late Monday they were trying to determine where the aircraft carrying surface-to-air missile parts and other arms was headed when it was detained after stopping to refuel in Bangkok on Friday. Many of the more than 140 boxes in the cargo bay hadn't been opened yet, a Thai official said. Investigators were planning to study the contents more thoroughly on Tuesday.

A Thai court ordered an extended 12-day detention for the crew while the investigation continues. The crew members—four citizens of Kazakhstan and one from Belarus, who were charged with illegal arms possession—have said they thought the plane contained oil-drilling equipment. A lawyer for the men said they had been denied bail.

Government spokesman Panitan Wattanayagorn said initially the plane flew from the United Arab Emirates on Dec. 9 and stopped in Bangkok to refuel. It then proceeded to Pyongyang to collect its cargo before returning to Bangkok. The next stop was scheduled to be Colombo, Sri Lanka, he said, but a Sri Lankan official in Bangkok said his country had no knowledge the plane was coming.

Thai authorities were investigating a number of possible final destinations, including Pakistan or some part of the Middle East. According to the AeroTransport Data Bank, an Internet service that tracks aircraft, the plane recently has been seen at airports in Podgorica, Montenegro, and Bujumbura, Burundi.

Russia's Interfax News Agency cited a senior transport ministry official in Khazakstan, Radilbek Adimolda, as saying at a news conference that the detained Ilyushin-76 was previously owned by a Kazakh airline, East Wing. The plane was acquired in October by Air West Georgia, Mr. Adimolda said.

Air West Georgia, a small carrier of freight, couldn't be reached at Moscow numbers listed in the phone book.

East Wing is on the European Union's blacklist of airlines prohibited from flying in the EU because they violate global air-safety rules. According to AeroTransport Data Bank, East Wing is the successor to another Kazakh airline, GST Aero Co., which also is on the EU blacklist. Investigators at Amnesty International and other advocacy organizations have linked GST to international arms trafficking.

Getty Images

Unidentified crew members, seated center, of a plane seized in Thailand, after their court hearing in Bangkok on Monday.

Mr. Adimolda said the four Kazakh crew on the impounded plane were listed among East Wing's staff, but were on unpaid leave.

Intelligence experts said the use of a transport plane rather than a ship, and the decision to land in Thailand—a country known to cooperate heavily with U.S. intelligence services—indicates this may have been an unusual or hastily planned delivery.

The 35-ton cargo represented a "medium to small shipment," compared with the 200 to 400 tons that can be sent by ship, said Rohan Gunaratna, a security expert at Singapore's Nanyang Technological University. Arms traffickers often prefer ships because they can carry enough oil to avoid stopping to refuel, he said.

Flying into Bangkok "was certainly a high-risk mission," he said. That could signify "there was an urgent need to move" to get the weapons to an active conflict zone, he said.

The success of the Thai seizure, executed with U.S. authorities, indicated that recent steps to tighten the screws on North Korean arms deals appear to be working. The United Nations Security Council approved rules in June that ban North Korea from exporting arms and called on states to inspect North Korean cargoes in their airports and seaports if they are believed to carry banned items. The rules were developed after North Korea tested a nuclear explosive in late May in defiance of U.N. sanctions.

Since then, international authorities have detained a ship in the United Arab Emirates loaded with North Korean weapons. They identified a second North Korean ship suspected of carrying arms bound for Myanmar that subsequently reversed course and headed home.

"We don't know what proportion of business those interdictions represent, but it's going to have an impact on the demand side," says Dan Pinkston, who analyzes North Korea for the International Crisis Group. "If you're a potential buyer of North Korean goods, you're starting to see there's a risk in making these kinds of transactions."

North Korea relies heavily on arms shipments for foreign income, and those shipments are helping to fuel insurgencies world-wide, intelligence experts say, intensifying the country's destabilizing effect on global security. North Korean suppliers are believed to be working with Iran on designing a missile that could hold a miniaturized nuclear warhead.

Also, North Korea has armed the Moro Islamic Liberation Front, a Muslim secessionist group whose activities have helped to destabilize the southern Philippines, as well as Myanmar's military regime and the Tamil Tiger insurgency in Sri Lanka, analysts say.

In recent years, North Korea helped Syria build a plutonium nuclear reactor, which was destroyed in an Israeli airstrike in 2007. North Korea has shipped missiles to Iran, Libya, Egypt and Yemen and helped Hezbollah build underground facilities in southern Lebanon.

In a report published this year, an independent working group at the Institute for Foreign Policy Analysis in Washington estimated that North Korea reaps about $1.5 billion annually from missile exports, though other analysts caution there is no way to verify such figures.

The arms dealing brings in hard currency that North Korea needs to deal with a chronic trade deficit, chiefly with China, which supplies most of the food, energy and basic living materials the country needs.

—Gregory L. White contributed to this article.

As Fed deploys fewer tools, its exit plan is emerging

[The Outlook]

By Jon Hilsenrath

A succession of encouraging economic reports has sparked intensified debate about when the Federal Reserve will rein in its substantial support to the U.S. economy.

But in fact, an exit by the Fed from its role as economic-rescuer-in-chief has already begun.

As Fed officials prepare to gather in Washington on Tuesday and Wednesday to discuss interest rates and other issues, it helps to see how this exit is unfolding to understand where it will go next.

Outsiders tend to look at Fed Chairman Ben Bernanke's choices in just one dimension: Will rates be increased, lowered or stay the same? Currently, investors are wondering when the Fed will stop saying short-term interest rates will remain low for an "extended period." When those words get dropped, the Fed, within a few months, is likely to start trying to push up overnight bank lending rates from near zero. Thus, when Mr. Bernanke used the phrase last week, the market breathed a sigh of relief.

"He is still in an 'extended period' mindset," Joseph LaVorgna, chief U.S. economist for Deutsche Bank, assured clients in a note Friday.

Mr. Bernanke, however, sees himself moving in a slow and deliberate way along a continuum of several different dimensions. Early this year, he would do anything it took to revive the economy. Now, he's inching gradually toward a "normalization of monetary policy," as he has described it.

The market sees the Fed controlling an on-off switch. Mr. Bernanke is eyeing a dashboard with many different dials.

Emergency short-term bank borrowing from the Fed's discount window has fallen from more than $100 billion last year to $19 billion in early December. Fed purchases of short-term business loans in the commercial-paper market have fallen from $350 billion in January to $15 billion. Loans to foreign financial institutions through overseas central banks have fallen from more than $500 billion to $17 billion.

Several programs—such as loans to Wall Street investment banks and commercial-paper loans—expire altogether in February, and another program, credit pumped into the consumer-loan market, will follow in March.

Though cautious about the outlook, rhetorically, the Fed has become steadily more upbeat in its assessment of the economy. In August, after a regular meeting of the Federal Open Market Committee, officials said the economy was leveling out and the Fed would use "all available tools" to promote a recovery. By November, they said the economy had "continued to pick up" and they would use just "a wide range of tools."

"We have a number of programs to try to keep down interest rates, to improve functioning in key credit markets," Mr. Bernanke told the Senate Banking Committee this month. "We'll have to unwind those programs, and we have a set of ways of doing that."

The latest round of data—better-than-expected jobs numbers, firmer consumer spending and confidence, improving trade and business inventories rising—is almost sure to move the Fed further along the continuum at this week's meeting.

Officials could upgrade their assessment of how the economy is performing. With emergency programs expiring, they could note they are narrowing how many tools they will use to promote recovery. At some point, they could also make it more expensive for banks to take out emergency short-term loans directly from the central bank at its discount window.

They have several reasons to wait on the bigger question about when to start raising short-term lending rates more broadly. They need more evidence that a recovery will be sustainable without so much government support. With the U.S. unemployment rate still so high at 10%, they also believe they can afford to wait because there is a lot of slack in the economy that drives down inflation.

The timing of rate increases, says Alan Blinder, a Princeton professor and former Fed vice chairman, "depends completely on the progress of the economy."

He sees the economy growing at a robust pace in the coming months, pushing the Fed to start raising rates in June or August 2010. Doves at the Fed, who focus heavily on the high jobless rate, will push to wait even longer. Mr. Bernanke has made clear he's looking at more than just the jobless rate and inflation—in recent weeks he has pointed to inflation expectations, asset prices and the value of the dollar as other factors in his thinking.

While officials wait on the question of "when" to raise rates, they are likely to strategize in greater detail at coming meetings a complicated question of "how."

In the old days, when the Fed wanted to tighten financial conditions, the task was easy. It pulled a few billion dollars out of short-term lending markets by selling Treasury bonds and taking cash in return. That pushed up an interest rate called the Fed funds rate, which banks charge each other on overnight loans, and in turn it pushed up other short-term borrowing rates.

Because the Fed has flooded the financial system with so much money, raising the Fed funds rate won't be so simple this time. The Fed could try to shrink its $2 trillion balance sheet by reducing its large portfolio of mortgage-backed securities and Treasury bonds. It could also borrow money against that portfolio. Either step would drain cash from the financial system and, if done in large amounts, could help push up short-term rates. The Fed could also bid up the cost of borrowing by paying a higher interest rate on the reserves banks leave parked unused at the central bank.

Officials are reluctant to sell down mortgage-backed securities, as it could hurt the part of the economy most in need of help: housing.

Reuters

U.S. President Barack Obama meets with financial-services-industry leaders Monday at the White House.

Obama presses bankers

By Henry J. Pulizzi

WASHINGTON—President Barack Obama pressed executives from the country's biggest banks to "explore every responsible way" to boost lending and help the economy get back on its feet, and urged them to back up their stated support for a proposed regulatory overhaul.

"My main message in today's meeting was very simple: that America's banks received extraordinary assistance from American taxpayers to rebuild their industry, and now that they're back on their feet we expect an extraordinary commitment from them to help rebuild our economy," Mr. Obama said after the White House meeting. "That starts with finding ways to help creditworthy small and medium-sized businesses get the loans that they need to open their doors, grow their operations and create new jobs."

Mr. Obama called his session with the leaders of 12 banks, including **Goldman Sachs Group** Inc. and **J.P. Morgan Chase** & Co., candid and productive. But he also touched on the tension that has sprouted between Wall Street and the administration, saying banks need to "close the gap" between their public statements of support for regulatory reform and their lobbying against the effort on Capitol Hill.

One of the meeting's participants, **U.S. Bancorp** CEO Richard Davis, described the gathering as "very productive" and said "there wasn't a lot of disagreement."

"He didn't call us any names," Mr. Davis said, referring to Mr. Obama's reference Sunday to Wall Street "fat cats" on CBS's "60 Minutes" program.

"They're still puzzled why is it that people are mad at the banks. Well, let's see," Mr. Obama said on the program. "You guys are drawing down $10 [million], $20 million bonuses after America went through the worst economic year that it's gone through in—in decades, and you guys caused the problem. And we've got 10% unemployment."

Earlier Monday, Citigroup took steps to emerge from government protection, saying it would repay $20 billion in aid and exit the program through which the U.S. would cover billions of dollars in loan losses. The Treasury Department said it will start unwinding its 34% stake in Citigroup by selling up to $5 billion of its common stock and the remainder over the next six to 12 months.

The meeting was attended by Lloyd Blankfein of Goldman Sachs; Ken Chenault of **American Express** Co.; Mr. Davis of U.S. Bancorp; Jamie Dimon of J.P. Morgan Chase; Richard Fairbank of **Capital One**; Bob Kelly of Bank of **New York Mellon**; Ken Lewis of **Bank of America**; Ron Logue of **State Street Bank**; John Mack of **Morgan Stanley**; Dick Parsons of **Citigroup** Inc.; Jim Rohr of **PNC**; and John Stumpf of **Wells Fargo**.

Messrs. Blankfein, Mack and Parsons participated via video conference after their heavy fog in Washington delayed their travel.

The administration was represented by White House adviser Valerie Jarrett; Council of Economic Advisers Chair Christina Romer; National Economic Council Director Larry Summers; and Treasury Secretary Tim Geithner.

In a statement Monday, Mr. Dimon said J.P. Morgan Chase was doing its part to support small businesses, boost lending, modify mortgages for strapped homeowners, support regulatory reform and uphold sound compensation practices.

"This is simply what a bank should do," Mr. Dimon said.

But the J.P. Morgan statement also said that the bank shares "concerns" that some of the regulatory proposals could restrict lending and hurt economic growth and job creation.

Invitation for Expression of Interest in Development of Private Hospitals in Hong Kong

The Government of the Hong Kong Special Administrative Region (HKSARG) aims to increase the overall capacity of the healthcare system of Hong Kong and facilitate the development of the medical industry through the promotion of private hospital development.

HKSARG invites Expression of Interest (EOI) from all interested parties to develop private hospitals at sites at Wong Chuk Hang, Tseung Kwan O, Tai Po and Lantau of Hong Kong. Information, ideas and suggestions received through the EOI exercise may be used to determine the development models and service requirements of the hospitals to be developed at the aforementioned sites.

The EOI exercise is conducted on a non-committal basis and does not form part of the process for acquiring the sites by interested parties. It will close at **5.00pm on 31 March 2010 Hong Kong Time (GMT +8 hours).**

Details of the EOI requirements and relevant information are available at www.fhb.gov.hk/eoi. For enquiries, please e-mail to EOIenquiry@fhb.gov.hk.

Food and Health Bureau
Government of the Hong Kong Special Administrative Region

Greece targets deficit

A WSJ News Roundup

ATHENS—Greece's new government plans to slash deficits and aims to boost confidence in the country's shaky finances by cutting public payrolls and going after tax evaders.

Prime Minister George Papandreou was planning a speech Monday to outline the government's plans after European Union officials warned that Greece must deal with its problems itself and not expect a bailout.

The Greek budget deficit is forecast to reach 12.7% of gross domestic product this year, a record in the euro zone and well above the 3% budget deficit limit set under EU budget rules.

That figure has alarmed officials at credit-rating companies and elsewhere. On Dec. 8, Fitch cut Greece's debt rating to triple-B-plus for the first time in a decade on concerns about the huge deficit and debt. The rating made Greece the only euro-zone member to be rated below single-A, and sent its markets into a tailspin. A delegation from Moody's was also in Athens to review the economic situation.

Greece has one year to take fiscal measures assuring its credit rating remains at least single-A so its government bonds can be used as collateral for refinancing operations at the European Central Bank, said Lorenzo Bini Smaghi, a member of the ECB's executive board.

The ECB has been clear that public debt "will not be paid down with inflation," he said.

Meanwhile, Greece's public-debt agency will hold meetings with bond investors this week to update them on plans to reduce the country's debt, people familiar with the situation said.

Barclays Capital, **Deutsche Bank** AG and **Goldman Sachs Group** Inc. have been hired to arrange "nondeal roadshows" in London and Frankfurt on Wednesday and Thursday, one of these people said, adding that the meetings aren't aimed at discussing new bond issues.

Lower ratings mean the government will likely have to pay higher interest rates to borrow, making it even harder to cut the deficit.

Athens has come under intense pressure from other EU countries to bring its public finances into order.

Greece's financial woes have also weighed on the euro, whose long-term value depends on member countries keeping their finances in order.

Greece isn't the only country in the euro zone facing debt problems. Ireland, Spain and Portugal also have issues. But Athens has come under the most intense pressure from other EU countries to take drastic measures to bring its public finances into order.

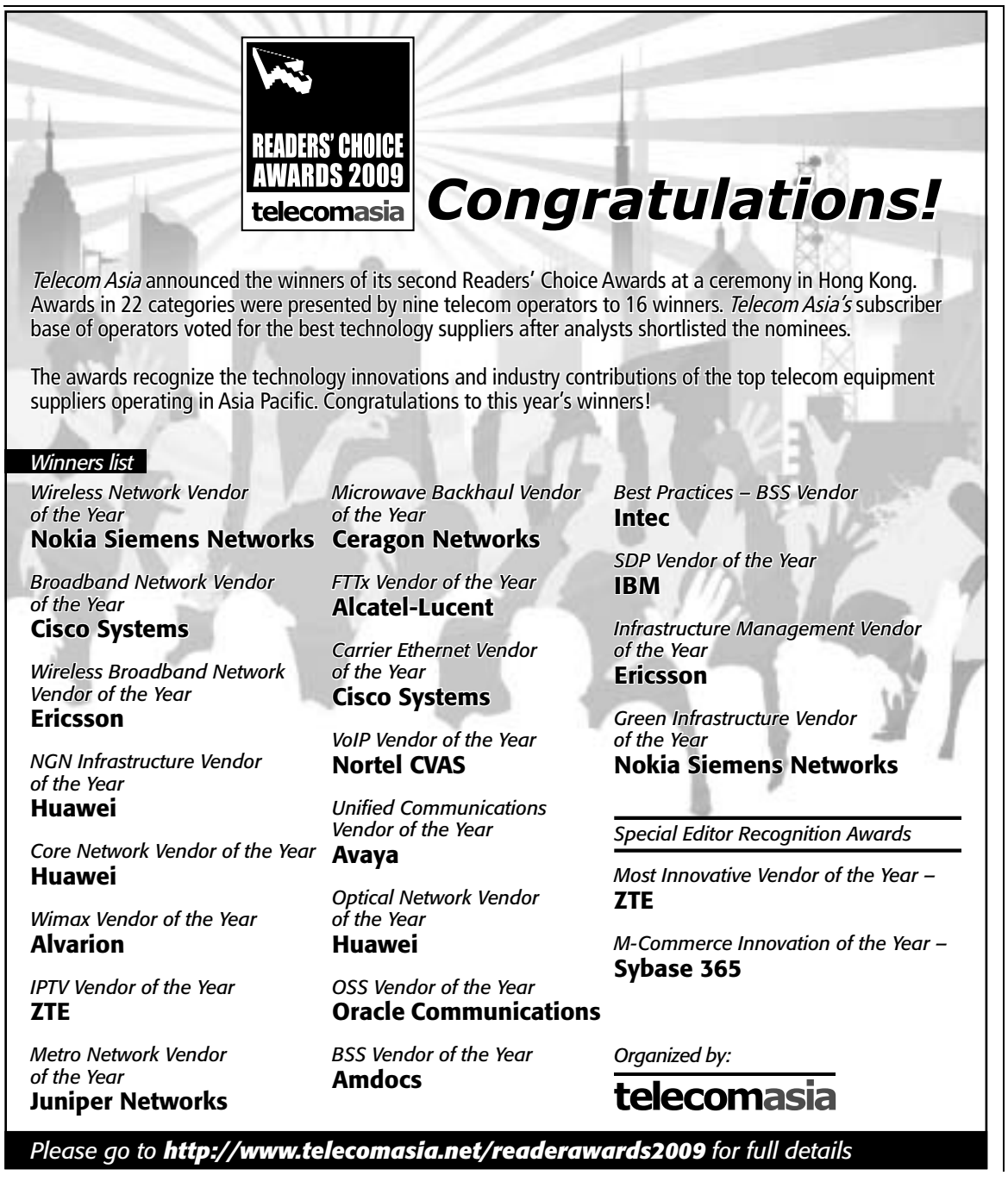
The latest jitters were stoked last month when Dubai World, a government-owned investment company with $59 billion of debt, said it was looking to postpone debt payments until May. That fed market doubts about the bonds of all government borrowers who remain on shaky footing thanks to the global recession. Athens has insisted that there is no similarity with Dubai.

"There is no question of default," Finance Minister George Papaconstantinou said. "We obviously have very serious problems. We are not the only country to have this kind of problem. What distinguishes us is a loss of confidence; a loss of confidence in our statistics, in our numbers; a loss of confidence that Greek governments are capable of doing what must be done."

Mr. Papaconstantinou, who met with Moody's and outlined the government's plans, said Greece was trying to regain confidence by cutting the deficit by four percentage points in a year, cutting spending, tackling tax evasion and stimulating growth. The government has said it will freeze public-sector hiring next year, and hire just one person for every five government workers who leave in 2011.

Prime Minister Papandreou, whose Socialist Party came to power in October, has pledged major changes and has called on the country's main opposition leaders to hold rare joint talks on the issue. The goal is to win support for potentially unpopular measures and stave off public demonstrations, which can turn violent in Greece.

An opinion poll published over the weekend showed that nearly half of Greeks would accept sacrifices to help the country emerge from its economic woes.


READERS' CHOICE AWARDS 2009
telecomasia
Congratulations!
Telecom Asia announced the winners of its second Readers' Choice Awards at a ceremony in Hong Kong. Awards in 22 categories were presented by nine telecom operators to 16 winners. Telecom Asia's subscriber base of operators voted for the best technology suppliers after analysts shortlisted the nominees.
The awards recognize the technology innovations and industry contributions of the top telecom equipment suppliers operating in Asia Pacific. Congratulations to this year's winners!
Winners list
Wireless Network Vendor of the Year
Nokia Siemens Networks
Broadband Network Vendor of the Year
Cisco Systems
Wireless Broadband Network Vendor of the Year
Ericsson
NGN Infrastructure Vendor of the Year
Huawei
Core Network Vendor of the Year
Huawei
Wimax Vendor of the Year
Alvarion
IPTV Vendor of the Year
ZTE
Metro Network Vendor of the Year
Juniper Networks
Microwave Backhaul Vendor of the Year
Ceragon Networks
FTTx Vendor of the Year
Alcatel-Lucent
Carrier Ethernet Vendor of the Year
Cisco Systems
VoIP Vendor of the Year
Nortel CVAS
Unified Communications Vendor of the Year
Avaya
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Huawei
OSS Vendor of the Year
Oracle Communications
BSS Vendor of the Year
Amdocs
Best Practices – BSS Vendor
Intec
SDP Vendor of the Year
IBM
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Health-care vote creates tough choice for Democrats

[Capital Journal]

By Gerald F. Seib

The fate of pending U.S. health-care legislation—and its political impact next year—likely hangs on one simple question: Will Democrats conclude they are better off passing a highly controversial bill than passing nothing at all?

Most likely, the answer to that question is yes.

At this stage in the sausage-making process that is writing legislation, nobody is under the illusion he or she is working on anything like the perfect health bill, or one that is growing in popularity. A series of recent polls shows the opposite—that support is eroding the longer the bill hangs in the balance.

Which presents Democrats, broadly speaking, with a gut-level decision: to push across the finish line, or, alternately, to take advantage of multiple opportunities that will be made available in the next two weeks to pull the plug instead.

The legislation's fate in the Senate now essentially comes down to the decisions of three wavering Senators: Democrat Ben Nelson of Nebraska, Democrat-turned-independent Joe Lieberman of Connecticut, and Republican Olympia Snowe of Maine. If any two of those three Senators support the bill, it will get the 60 votes needed to break a Republican filibuster and pass the Senate. If they don't, it won't.

Joe Lieberman

To get to this point, Senate Democrats already have had to nearly ditch the "public option," the idea of a government-run health-insurance plan as one of the options offered to uninsured Americans. To get across the finish line, they may have to compromise further, on one of the ideas that has become part of the alternative to the public option: allowing uninsured Americans approaching retirement age to get insurance by buying into the government's Medicare program.

Senate Majority Leader Harry Reid, not exactly a bundle of charisma, is proving himself exceptionally deft at shooting such gaps, so don't count him out on this gambit either. Still, herein lies Democrats' first chance to pull the plug: refuse to make the compromises necessary to get that 60th Senate vote.

If the bill does pass the Senate, the question will be whether a much broader group of Democrats in the House will decide to swallow hard and accept a bill with parts they don't love, and may even hate. Liberals will have to accept the dilution—some call it the elimination—of the public option they crave. Moderates and conservatives will have to accept a watering-down of the language they injected in the House version blocking coverage of abortion services in insurance policies bought with government assistance.

The decision will be based in large part on substantive judgments made by individual lawmakers, of course: Is the bill good enough despite the parts I don't like? Does the positive I see outweigh the negative I fear?

But, let's face it, part of the decision also will be based on a political calculation about whether Democrats are better off with something that doesn't totally please anybody, or with nothing at all.

And most Democratic leaders have concluded that, as a political matter, something beats nothing. "No bill at all is worse than having a bill," says Mark Mellman, a pollster who works regularly for Democratic leaders in Congress. "And I think a lot of Democrats believe that a public display of failure to govern will be very costly politically, and even more costly than their concerns about the specifics of the legislation."

Mr. Mellman is a veteran of the Democrats' long and ultimately failed death march through health-reform legislation in 1993 and 1994. And in that case, the party ended up with the worst of all worlds: It failed to pass a health-care overhaul, so it had nothing to show its troops for the effort, and mobilized its enemies by proposing a plan they could unite in despising.

What followed: In 1994, Democrats suffered a rout at the polls, losing 54 House seats and 10 Senate seats, and relinquishing control of both chambers.

Thus, many Democrats have concluded from that experience that there's now little to be gained politically from trying really, really hard to change the health-care system and failing at the end of the process. Their friends will be mad, and their enemies will still be their enemies. Just as important, voters in the middle, who can't decide what they think about health care, may well decide they do think Democrats can't get things done.

"The bill right now is unpopular," says political scientist William Galston of the Brookings Institution, who worked in the Clinton White House. "There's no question about that, and you might reason therefore that the political fruits of passing an unpopular bill will be increased unpopularity."

But, Mr. Galston says, the fear of unpopularity is trumped by another concern: "The crisis of confidence the American people are now experiencing is in part a crisis of competence. They're losing confidence government can do much of anything. For better or worse, the Democratic party has wagered its competence on a single number on the roulette wheel: health-care reform."

If a bill passes, Democrats will have to hope, not implausibly, that a health-care overhaul looks to voters like more of an achievement once it's signed into law than it did while being assembled on the factory floor.

For U.S. Afghan surge, supplies are a battle too

By August Cole

The White House has settled on sending additional troops to Afghanistan, and now the Pentagon must grapple with another thorny problem: how to support them once they get there.

For Ashton Carter, the top Pentagon official in charge of weapons purchases, that has meant focusing on the concrete—literally. Basic materials for building bases are in short supply or nonexistent in Afghanistan, so U.S. officials must search for staples like concrete next door in Pakistan.

Another priority: Getting thousands of blast-resistant trucks from **Oshkosh** Corp.'s factory in Oshkosh, Wis., to U.S. forces in the Afghan hinterlands.

"At this phase, Afghanistan is a logistics war as much as any other kind of war," said Mr. Carter, whose formal title is under secretary of defense for acquisition, technology and logistics, in a recent interview.

Unlike Iraq, Afghanistan has no modern infrastructure. Critical supplies such as fuel must be imported. The country is landlocked and has just three major overland routes. Enormous distances separate bases and outposts. High mountains and valleys, as well as extreme weather, make air travel difficult.

U.K. Prime Minister Gordon Brown, on a trip to Afghanistan, met Sunday with Afghan President Hamid Karzai and said Britain would ship helicopters, equipment and roadside-bomb surveillance devices with the 500 reinforcements who are joining 9,500 British troops already deployed there, the Associated Press reported.

Separately, President Barack Obama said he will know if his Afghan strategy is working by the end of next year. In an interview for CBS's "60 Minutes" that aired Sunday, he pledged to change direction if the U.S. military isn't on course "in terms of securing population centers" from Taliban militants.

Defense Secretary Robert Gates has pushed the Pentagon to stay on a wartime footing rather than focus on preparing for future conflicts. Top officials have shifted their priorities.

"Everything is...more expensive, but that's not really as much the issue as whether you can get it done at all," Mr. Carter said.

Mr. Carter's predecessor had a full plate dealing with defense-industry programs such as the $300 billion Joint Strike Fighter and the sprawling $200 billion Army modernization effort known as Future Combat Systems. Mr. Carter, by contrast, is entrenched in the minutiae of Iraq and Afghanistan, as well as big weapons programs.

"Secretary Gates has given Ash Carter a focus on logistics from the beginning of the Afghanistan buildup," said David Berteau, director of the defense-industrial initiatives group at the Center for Strategic and International Studies in Washington.

Mr. Carter says he stays in close contact with the top U.S. commander in Afghanistan, Gen. Stanley McChrystal, about urgent issues such as finding ways to protect troops against improvised explosive devices.

That is partly a reflection of Pentagon officials' top concerns: the risk that public support for the war is fading, and the rise of roadside bomb attacks on U.S. troops by Taliban and al Qaeda-affiliated forces. Any major hiccups bringing in troops and armored vehicles—let alone staples such as ammunition and fuel—could derail the escalation of a military mission that is becoming the defining wartime test of the Obama administration.

Mr. Gates's latest push to protect U.S. forces from roadside bombs in Afghanistan has sent parts of the defense industry into overdrive and presented Mr. Carter with one of his biggest challenges.

Oshkosh is racing to churn out 1,000 blast-resistant trucks a month. The trucks will protect against low-tech but very powerful improvised explosive devices, one of the biggest killers of U.S. forces.

"What limits the rate at which they'll get to the troops is not the factory in Oshkosh and how fast it can produce vehicles. It's how quickly can we introduce them into this faraway place," Mr. Carter said.

Associated Press

Ashton Carter, center, a top U.S. Defense Department official, with a new mine-resistant all-terrain vehicle in November.

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TECHNOLOGY

Updates let hard-core gamers and newbies play nice together

Effort is part of industry's strategy shift to attract bigger audiences; better cinematography and story lines for a movie-like feel

By Yukari Iwatani Kane

When novices play videogames with hard-core players, the newbies can end up humiliated and the pros can end up bored. But, now, game makers are unveiling new features that make it easier—and more fun—for the two groups of users to play together.

The latest installment of **Nintendo** Co.'s "Super Mario Bros." game for the Wii console, for example, has a "simultaneous multiplayer mode" for the first time. Under that mode, up to four players cooperate with each other to complete each level—with the ultimate goal of saving Princess Peach from the villain—so players of varying abilities can play together by helping each other out. Makers such as Microsoft Corp. and Infinity Ward have also tweaked games to enable users of different skill levels to easily play together.

The move is being driven partly by the realization that the longtime videogame audience of men aged 18 to 34 is now older—and many have families: They may not have hours of free time to play, unless the games can be enjoyed by their kids and spouses, too, says Geoff Keighley, the host of videogame show "Game Trailers TV" on Spike TV.

When Christian Navarro, a 29-year-old San Francisco resident, played Super Mario Bros. recently with his girlfriend, they were both able to enjoy the game even though he considers himself to be a more advanced player. "There's some pretty challenging stuff even in the first world... but it's about total teamwork," he said.

Past versions of Super Mario Bros. had players taking turns to compete against each other, setting up a rivalry that put weak players at a disadvantage. In the single-player mode, Nintendo says it also tried to appeal to all levels—making the game challenging enough to keep expert players happy, while giving rookies a break with a "Super Guide" feature that can help users finish levels when they fail to do so repeatedly.

In Microsoft's racing game "Forza Motorsport 3," developers added assisted driving and adjustable skill levels after its last game was criticized as being too hard to play. Yet hard-core enthusiasts can customize their cars in great detail—such as adjusting the tire pressure on each wheel—to try to give them an edge and go faster.

Infinity Ward has made an effort to make its hit combat game "Call of Duty: Modern Warfare 2" more accessible for brand new players. One new feature it introduced is "death streak," which gives players extra powers temporarily when their character dies too many times in a row. That allows novices to play along with experts because it gives them a handicap that helps them get through challenging parts of the game.

'Call of Duty: Modern Warfare 2,' above, has features to help newbies compete against pros. Microsoft's 'Forza Motorsport 3' has adjustable skill levels.

(Top to bottom) Activision Blizzard; Microsoft

The effort to bring neophytes and pros together is a strategy shift for the game industry. In recent years—particularly since the Wii helped broaden the market for videogames—makers have segmented their audience: Most publishers created easy-to-play casual games for the Wii that were a distinct category from the challenging shoot-'em-ups and role-playing games popular with hard-core players. The division that makes casual games at Electronic Arts Inc., for example, is separate from its main videogame publishing label.

But this year, game publishers began putting more thought into how they can attract bigger audiences for all of their games, including games that were previously the domain of hard-core players.

"There's been more of a focus on usability, interface and explaining to players how to get into these games more quickly," said Mr. Keighley, the videogame show host.

Having a wider appeal is particularly important this holiday season given a slowdown in the overall videogame industry. In October, videogame sales including consoles fell 19% to $1.07 billion from a year ago, according to NPD Group. Software sales alone fell 23%. Analysts expect annual sales to decline by at least 5% in 2009, compared with a year earlier.

Another way game developers are trying to expand their audience is through better cinematography and more elaborate story lines, giving games a movie-like feel. **Sony** Corp.'s "Uncharted 2: Among Thieves," for example, offers the plot of a fortune hunter setting out to solve a mystery behind the disappearance of a part of Marco Polo's fleet on his voyage back from China in the 13th century. In a marketing campaign, Sony features a player whose girlfriend won't stop watching the game because she thinks that it's a movie.

Ubisoft Entertainment, meanwhile, has taken a step further with its action-adventure game "Assassin's Creed II." Before the game was released in the middle of November, it aired a short film on the Internet and cable television centering on the events leading up to the game about an Italian nobleman's quest to avenge his family.

Developers are trying to make portable games—such as those for Nintendo's DS—appealing to broader audiences as well: In "The Legend of Zelda: Spirit Tracks," Nintendo went so far as to make the latest in the long-running franchise deliberately two-dimensional because 3-D is difficult to navigate for many people. "It serves as the perfect thing for people who have been dabbling in games," says Bill Trinen, senior manager of product marketing for Nintendo.

Meanwhile, some casual games are appealing to hard-core gamers, too. One example is **Warner Bros.** Interactive Entertainment's "Scribblenauts" for the Nintendo DS, an essentially simple game involving a character Maxwell who collects star-like objects to complete each level.

The game has become a sleeper hit among hard-core players because it allows them to summon any object to help Maxwell by writing its name on the touch-screen. Players try to stump the software by typing in obscure things like night-vision goggles and KeyBoard Cat, the organ-playing feline that has starred in YouTube videos.

(Left to right) Nintendo; Microsoft; Sony

The ABCs of Wii, Xbox, PlayStation 3

By Katherine Boehret

With holiday shopping comes anxiety about getting the right gifts. It's even worse for people shopping for the video gamers in their lives: Understanding the technical specifications of each console can seem as difficult as getting to the highest level in a game of Halo.

I've done the dirty work for you: I've amassed a collection of vital details about the three most popular systems—Microsoft's Xbox 360, Sony's PlayStation 3 and Nintendo's Wii—so that you can get a handle on what each offers and what it will cost you.

THE MOSSBERG SOLUTION

■ **Nintendo Wii**

Nintendo recently dropped the Wii's price, for the first time, to $200 from $250. The Wii Console comes with a controller, an additional controller called a Nunchuk, and the Wii Sports game, which includes baseball, tennis, golf, bowling and boxing. It holds 512 megabytes of flash memory, but you can increase this by inserting SecureDigital memory cards. It also accepts high-capacity SD cards, or SDHCs, of up to 32 gigabytes.

The couch-potato world of videogamers was shaken up when the Wii, with its motion-sensitive remote control, was introduced about three years ago. Users can play Wii Golf, for instance, by swinging the remote like a golf club. In September, Nintendo added to its lineup a $20 remote-control accessory called Wii MotionPlus that was designed to add more precision to game motions. I tested this snap-on piece and found that it did make the Wii's motions feel more realistic. But it works only with Wii MotionPlus games—and there are only six of them; 10 more are planned for 2010.

Wii encourages users to move around in more ways than just waving a remote: Its Wii Balance Board, which comes with the Wii Fit Plus game in a $100 bundle, works like a digital exercise step. It records the body's weight shifts and movements for activities from yoga to wake-boarding.

The Wii accesses the Internet and lets users compete online against others. About 655 packaged games are available for between $30 and $50. Also, you can use prepurchased Nintendo Points to buy and download about 150 WiiWare games and over 325 titles from the older Virtual Console library. Each game costs between 300 and 1,500 points, or between about $3 and $15.

WiiConnect24 can send messages from one Wii to another over the Internet, as long the two users exchange "Wii numbers." Users can also surf the Web with Wii's Opera browser. But beyond this, no other Web features—like downloadable movies, social-networking applications or streaming music—will work on this system.

Parental controls can be set on the Wii to restrict kids from using the Web browser, playing games that have a certain rating or communicating online.

■ **Microsoft Xbox 360**

Microsoft recently stepped up its game by adding features to its $200 Xbox 360 that make it well-rounded rather than strictly geared toward serious gamers. People who buy the Xbox LIVE Gold membership, for $50 a year, get applications for Facebook, Twitter, the Last.fm music-streaming service, online multiplayer game play, video chat, Netflix (Netflix subscription required), photo sharing via the Xbox, and movie or photo "parties" that allow users to watch a movie simultaneously with seven other friends.

Xbox LIVE Silver membership is free and includes basic features like voice and text chat, as well as access to the Zune video library's 20,000 TV shows and movies to buy or rent. The Xbox also allows media-streaming over a home network. To wirelessly connect your Xbox to the Internet, you'll need to buy a $100 Wi-Fi adapter. By contrast, the Wii and PlayStation 3 have built-in Wi-Fi.

Anyone who owns a Microsoft Zune media player can buy a TV show or movie and download it to an Xbox or PC as well as the Zune. Zunes can be plugged into the Xbox to play music, as can Apple iPods.

The base Xbox comes with a wireless controller and 512 megabytes of memory. For $100 more, the Elite Holiday Bundle includes a 120-gigabyte hard drive, headset, wireless controller, and two games: "LEGO Batman: The Videogame" and "Pure." More than 1,200 games are available for the Xbox, mostly costing between $29 and $60. About 350 of the games can be downloaded from the Xbox LIVE Arcade (costing 400 to 1,600 points, or $5 to $20) or the Games on Demand library.

Microsoft confirmed plans to introduce Project Natal, a system that lets people operate games with gestures and body movements rather than remote controls. Natal will work with all Xbox 360 consoles. Microsoft won't confirm a date.

Family settings let parents control whether their kids play games online and with whom they play, as well as the ratings of the games. A Family Timer regulates how long kids play.

■ **Sony PlayStation 3**

Sony's PlayStation, like the Xbox 360, is designed with serious gamers in mind. Its base version costs $300 and includes a 120-gigabyte hard drive and a DualShock 3 wireless controller; $50 more buys a version with a 250-gigabyte hard drive. Both systems can be upgraded with any standard 2.5-inch hard drive. The PlayStation is also a Blu-ray disc player.

Like the Xbox, the PlayStation 3, or PS3, now offers extra features, but these features are all included in the PlayStation Network, which is free (not $50 annually like Xbox LIVE Gold). These PlayStation Network extras include Netflix instant streaming, a Web browser, photo slide shows, the ability to stream media over a home network to the PS3, a Facebook application that shares game information with friends and the PlayStation Network video-delivery service, where users can purchase 2,400 high- and standard-definition movies and 15,000 TV episodes.

The PS3 and the PlayStation Portable, Sony's portable gaming device, are married in many ways. A new feature called Blu-ray Portable Copy lets users make a free standard-definition copy of some Blu-ray movies for transfer to a PlayStation Portable. Remote Play lets people stream media files from the PS3 to the PlayStation Portable in Wi-Fi hot spots or remotely turn the PS3 on or off using the PlayStation Portable. Movies and TV shows from the PlayStation Network can be transferred to either system, so you can start a movie on a big-screen TV and finish it on the PlayStation Portable; the same can be done for games.

About 400 games are available on Blu-ray for the PS3; these cost between $30 and $60. More than 150 titles, costing between $3 and $40, can be downloaded directly to the PS3. Sony confirmed that it will release a motion-sensing controller, but it hasn't set a date.

Parental restrictions for the PS3 include the ability to restrict games, DVDs and Blu-ray discs with certain ratings. Parents can also limit monthly spending or Web browsing.

Edited by Walter S. Mossberg. Email to mossbergsolution@wsj.com

Bazaar: Japan

What they're buying at Asia's gadget emporiums

Sanyo

The place Bic Camera, Yurakucho, Tokyo

The goods Sanyo ECJ-LK10 rice cooker

The specs This cooker, according to Sanyo, makes rice grains "dance" inside the copper-coated pot by alternating between high and low pressures. Japanese are particular about their rice and consumer tastes are diverse, but the shop says this model is relatively popular in its price range since its August release, perhaps because the patented "dancing rice" technology has been featured on TV. Like many other Japanese rice cookers, this one has settings for different types of rice, such as white rice, brown rice, sushi rice and rice mixed with vegetables. A unique feature is the "sweet rice" setting, which activates the enzymes that turn the rice's starch into sugar to enhance the naturally sweet flavor.

The price Open price. On sale at 36,800 yen (US$413), this model falls in the middle or upper-middle price range. Rice cookers in Japan can carry price tags up to about US$1,000.

The deal Simply asking to lower the price will probably get you nowhere, but if you can show that there is another store (excluding online stores) offering a better price, they may agree to match it. Still, price tags are a bit tricky, because most Japanese electronics stores have loyalty cards for saving points that you can use for future purchases. Even if the price is a bit higher than other stores, you may be saving more by getting extra points on your card. *—Juro Osawa*

Alternative M.B.A.: one-year degrees

By Diana Middleton

Shane Torchiana was working in asset management in a job focused on global-fixed income, but he wanted to make the leap to analyst and eventually become a fund manager.

His first thought was to apply to a traditional two-year M.B.A. program. But he believed he didn't need years of general management training in order to get the specific career he wanted. After researching his options, Mr. Torchiana opted for a master's degree in finance at the Massachusetts Institute of Technology's Sloan School of Management, a new yearlong program launched this year.

"It might be a lesser-known type of program, but in terms of quantitative finance skills and the shorter time period, it wins," says Mr. Torchiana. He says he is learning finance at a detailed level he couldn't get in a typical M.B.A. program—including some doctoral-level coursework.

More students are looking to business schools for shorter and more focused alternatives to the M.B.A., with in-depth education in everything from science of management to international finance. Schools, in turn, are beefing up the specialty programs they already offer and adding more to keep up with demand.

These programs, which usually are 12 months long, often include elements of the typical M.B.A. curriculum (classes in finance or advanced mathematics skills are common), but are often more technical and focus less on general managerial skills. For example, the master's students at MIT take classes with M.B.A. students in classes such as investments and options and futures, but then drill down in specialized classes like mergers and acquisitions.

"The master's in finance degree isn't designed for broader management positions," says Debra Luchanin, program manager of MIT's master's in finance program. "We're gearing students up for more specialized quantitative positions, such as asset management."

For those without the five years of work experience most M.B.A. programs require, specialized business degrees offer entrance to students with just a year or two of experience. There are an array of degrees for those set on a specific career path. The Association to Advance Collegiate Schools of Business, the main business-school-accrediting agency, reports that the number of such programs is on the rise. For the 2008-09 school year, 645 such programs were offered, up from 614 two years earlier. In the 2006-07 school year, enrollment in these programs was 24,527; in 2008-09, that increased to 29,907 students enrolled.

Many of these programs are still small—including MIT's new finance program, which is in its first year. The current class is just 27 students, although the school plans to eventually expand that number to 60.

This year, Tufts University has 31 students in its master's in international business class—its first year offering the program. Tufts is positioning its program as an alternative to an M.B.A., which the school doesn't offer. The program is as long as an M.B.A. and requires core business classes, such as corporate strategy, accounting and finance. But classes are globally-focused, with courses in international politics and international negotiations and electives focused on regional issues around the world.

"We want to empower those students who want to work abroad after graduation," says Stephen Bosworth, dean of Tuft's Fletcher School of Law and Diplomacy.

Jodi Hilton for The Wall Street Journal

Shane Torchiana chose a master's degree in finance to boost his career.

Bentley University, located in Waltham, Mass., has offered specialized business-related degrees for nearly 30 years—and it has plenty of traction with employers. Nearly 100% of its 2009 graduates with degrees in human factors in information design–a combination of technology, product design and human behavior studies–information technology, financial planning, accounting and taxation had jobs three months after graduation. Nearly 90% of its marketing analytics graduates had jobs.

Cass Business School in the U.K. offers 18 master's programs, dubbed MSc degrees, in subjects such as investment management and management. The curriculums are similar to the M.B.A., but are geared toward students with less work experience says Susan Roth, director of Cass's MSc programs.

"These programs are a deep dive into subject areas," Ms. Roth says. "You won't get marketing or strategy, but you may get all finance, all the time."

When it comes to finding a job post-graduation, these specialized business degrees can offer an advantage and a disadvantage all at once.

For starters, they aren't as well-known as the M.B.A., so general management jobs will be harder to get. But for specialized jobs, like business-specific analyst positions, recruiters will often eschew two-year students for specialty graduates.

Career Opportunities

RMIT International University Vietnam

RMIT University is one of Australia's longest established educational institutions. It is a global University based in Melbourne and is one of the most successful providers of international education in Australia. It is a member of the global U8 Consortium and has a strong educational presence in the Asia Pacific region. RMIT International University Vietnam is the Asian hub of RMIT University. As an internationally recognised Australian University based in Asia, RMIT Vietnam assists in the development of human resources in Vietnam and the Region by providing opportunities for students from around the world to belong to an international educational community that supports them to achieve their potential in an increasingly globalised world. Degrees are awarded by RMIT University in Australia, allowing Vietnamese students to receive an overseas education without leaving the country. RMIT Vietnam also hosts students from Australia and many other countries. All degree programs are recognised by the Vietnamese Ministry of Education and Training (MOET) and are audited by the Australian Universities Quality Agency. RMIT Vietnam is an English speaking University and all teaching is in English.

Vice President Academic

Reporting to the President RMIT Vietnam, the VP Academic provides overall academic leadership for all program areas and academic and student-related areas. The position is the key liaison point for all matters relating to academic governance and quality at the University. The appointee will have demonstrated senior academic standing in both teaching and research at an international level, sufficient to satisfy the criteria for appointment to RMIT's Professoriate. You will have a deep understanding of tertiary education with significant experience in international education. Proven leadership, conceptual and analytical skills, and the ability to formulate and evaluate policy options in a complex international environment will be essential. **Ref no: 73441AW**

Head of Centre of Commerce and Management

Reporting to the VP Academic, this newly created academic leadership position will have a functional reporting relationship with the PVC of the College of Business in Melbourne. This position requires a distinguished record of academic achievement including research in a relevant business discipline sufficient to meet RMIT's Professorial criteria. You will oversee all programs and research activity in the business disciplines within the Centre and hence will have established management and leadership skills. Cultural sensitivity, excellent people management skills and a track record of success in running international programs will be important in this role. **Ref no: 73445AW**

Head of Centre of Technology

Reporting to the VP Academic, this newly created academic leadership position will have a functional reporting relationship with the PVC of the College of Science, Engineering and Health in Melbourne. This position suits a Professor of Engineering who will be responsible for establishing and growing the new Centre of Technology in Vietnam (commencement July 2010). This includes overseeing the establishment of programs and research activity with a particular focus on Electronic and Computer engineering. Key to this position will be the development of linkages with both government and industry, and therefore requires outstanding stakeholder management/relationship skills. **Ref no: 73443AW**

Further enquiries relating to the VP Academic position to Grant Nichol on +61 3 9288 5694 or enquiries relating to the Head of Centre of Commerce and Management or the Head of Centre of Technology to Brad Beumer on +61 3 9288 5381 at the KPMG Melbourne office. To apply in strict confidence, email your resume to execrec@kpmg.com.au quoting relevant reference number or for a position description please email kcarnegie@kpmg.com.au

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Easing a Japanese hamlet's decline

Jeffrey Irish leads elderly folk who expect their town to pass away with them; delicate harmony of close-knit community

By Daisuke Wakabayashi
Tsuchikure, Japan

JEFFREY Irish, a 48-year-old American, is the unlikely village chief of Tsuchikure, a remote farming hamlet in Japan's southern Kyushu island. The tall, even-tempered Californian got the position because he satisfies the post's main requirements: He hears and sees well.

In Tsuchikure, where the average age is 77 (if you don't count him and his family), that makes Mr. Irish one of only three residents qualified for the job. He spends his days keeping track of the physical and mental decline of the 24 elderly longtime residents of this wilting Japanese village.

Michiko Tsuchikure

Tsuchikure—a community of modest single-family houses on a hillside about the size of a sports field—is in many ways emblematic of Japan in the 21st century: an advanced economy that must cope with the depopulation of everything outside the urban centers.

It is one of thousands of withering Japanese villages. Home to more than 100 residents in the 1950s, Tsuchikure has seen its young people move away in search of jobs and never return. After eight years without a death, it had four villagers die this year; three are in the hospital and one-fifth of the houses sit empty.

The remaining villagers have made a remarkable choice: Rather than try to come up with ways to lure new residents and keep the town alive, they have pretty much decided to let it disappear slowly, even as they do themselves.

Following the death of a 99-year-old woman, Mr. Irish proposed renting out her empty home. A younger couple had expressed interest, and Mr. Irish thought bringing in new blood could extend the village's life. The villagers balked. Newcomers, they said, could upset the delicate harmony of the close-knit community. Mr. Irish had no choice but to turn the disappointed couple away.

"They want to hold on to the status quo and not let in elements that they are not ready for, like people who stay up past 9 o'clock and make noise," says Mr. Irish, who is in his second one-year term as chief. He is paid about $3,000 a year from a variety of sources including the local prefectural government, the agricultural association, the agricultural insurance association and his fellow villagers (who, as a group, kick in about $800). "For the villagers, the goal is to disappear gracefully and on their terms."

Mr. Irish moved to Japan in the 1980s after studying the language and history at Yale. He landed a job at Japanese construction firm Shimizu Corp. in Tokyo, rising through the ranks to become a vice president in the New York office. But he wanted to see a different part of the country: the vestiges of "Japan of the past."

He left Shimizu and moved to a fishing village of 1,000 people in Kagoshima prefecture at the southwestern tip of Kyushu. He spent the next three years on a fishing boat catching mackerel, sardines and squid, an experience he described as "an anthropological field study."

After publishing a book about life in the fishing village, Mr. Irish landed a job writing a column, in Japanese, for a local Kagoshima newspaper. Having decided that he wanted to live in a farming community, he hopped on a scooter and rode around the prefecture until, in 1998, he came across a hilltop cabin with breathtaking views in Tsuchikure.

Since the prefecture owned the property, he negotiated with government officials a yearly rent of 2,500 yen, or $28, and didn't need to ask permission from the village. He was the only person to have moved into Tsuchikure since 1959, he says.

In many ways, life in Tsuchikure remains as it has been for decades. Villagers work in the terraced fields near the road that snakes into town, pushing small carts filled with tools to tend to crops of giant radishes, sweet potatoes and fava beans. It's all part of a daily routine that, Mr. Irish says, keeps aging villagers active and fit.

Most villagers also still walk on Tsuchikure's narrow roads for daily visits to the cemetery, where there are mausoleums for each household.

Mr. Irish plans to bring doctors to Tsuchikure to conduct routine checkups, along with regular visits from a fitness instructor who can lead exercises. He wants to bring in a nutritionist to talk about diet and an expert on senility to explain mental decline.

On a recent autumn day, Mr. Irish, or Jeff-san as he is called, made his usual rounds. Everyone in the village is on a first-name basis since most of the residents carry the family name "Tsuchikure"—a remnant of the days when people would just identify themselves by their hometown.

He helped 84-year-old Michiko Tsuchikure pick black-eyed peas in the field. Mr. Irish brought 79-year-old Mikio Tsuchikure a hearing aid to try out, but Mr. Tsuchikure seemed a bit confused by all the buttons. The American chief teased 77-year-old Kazuko Tsuchikure about her driving: "You almost crashed into me the other day." She dismissed him with the wave of a hand and got back into her car.

In English, Mr. Irish is serious and speaks in a monotone. In Japanese he becomes animated and is quick with a joke, many at the expense of his receding hairline. He massaged the weathered feet of 89-year-old Mitsue Tsuchikure, joking about how they're caked with dirt from working in the fields, while her toenails are too long. She lectures him that he should have treated visitors to a fancy lunch.

Throughout the day, Mr. Irish's voice rings out on the village-wide speaker system. It always starts with Mr. Irish playing a short chime on a xylophone and then an alert about an event ("The tea party is about to start") or an announcement ("The water will be stopped between 9 p.m. and 5 a.m.")

It's all part of Mr. Irish's attempt to help villagers feel good about their lives instead of worrying about the exigencies of aging. It's similar to what he does in his column, which has made him a local celebrity as the foreigner who shows the Japanese what is great about their own country.

What the villagers don't know yet is that Mr. Irish is facing his own difficult reality. He got married in 2006 to a woman who lived in a different part of Kagoshima. She fell in love with his newspaper columns—and with him. His 35-year-old wife stays home with their 2-year-old daughter and infant boy.

In a few years, their daughter, Akane, will start at the elementary school, whose children are drawn from 20 surrounding villages. His daughter's first-grade class may have only one other student. Mr. Irish loves living here, but he worries about shortchanging his children's education and robbing them of basic experiences like playing with other kids their age.

"I look at all these people that are the out-migration people who have left for the city and I think, 'Why did they make that decision,?' " says Mr. Irish. "But here I am, in the same spot, considering the same decision."

WSJ.com

Online today: Learn more about some of the residents of Tsuchikure, plus see a video about the aging community, at **WSJ.com/World**

Akiko Fujita for The Wall Street Journal

Jeffrey Irish, right, works with residents of Tsuchikure to keep them active and fit.

Career Opportunities

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CLIMATE SUMMIT

Rich-poor spat undermines bid in Copenhagen

By Alessandro Torello And Spencer Swartz

COPENHAGEN—Tensions flared Monday at the United Nations climate summit, as representatives from a group of poor nations briefly walked out of the conference to protest the slow pace of negotiations and European Union officials expressed exasperation with the U.S. and China.

The Group of 77, which represents developing countries as well as large emerging economies such as Brazil, India and China, walked out in the morning, a Brazilian diplomat said. This prompted a suspension in the official negotiation, and the chairman of the United Nations-sponsored conference appointed two ministers to pursue consultation on how to solve the problem.

The turbulence inside the Copenhagen conference was matched by disturbances and disorganization outside, as hundreds of people waited in line for hours in chilly weather to gain access to the conference center. Meanwhile, Danish police arrested and detained more than 1,000 protesters who staged demonstrations outside the climate conference on Saturday and Sunday. Danish lawmakers passed legislation ahead of the climate conference allowing preventive detention, under which people can be held by police for up to 12 hours.

At the heart of the disputes in Copenhagen are sharp disagreements over money, which came to the fore again Monday.

Mamadou Honadia, who is part of the negotiating team for Burkina Faso, said the G-77 had resumed talks with rich nations, but was still unhappy that industrialized countries weren't giving longer-term financial commitments to poorer states.

"We need to see developed nations give us a plan of what [financial] transfers will come in five years, 10 years and how much over the years ahead, and we aren't seeing that," he said.

The EU has pledged a total of €7.2 billion ($10.52 billion) in financing between next year and 2012 to jumpstart the fight against climate change in developing countries.

A Nigerian delegation official said earlier Monday that a key reason for the walkout was underfunding from rich nations. He said the EU offer for just over €7 billion in short-term funding was "pathetic."

At a news conference late Monday, European officials expressed indignation that some developing countries had criticized the EU's offer.

"We are the only part of the world that has put money on the table, and we're criticized for it," said Stavros Dimas, the EU environment commissioner.

Another sensitive issue in the Copenhagen talks surfaced Monday as China lashed out at the U.N. office in charge of approving carbon credits after it rejected 10 Chinese wind-farm projects earlier this month and accused China of fudging the numbers to make them eligible for international subsidies.

"If you reject wind power, what else is there?" said Sun Cuihua, an official at the National Reform and Development Commission which oversees the U.N.-sanctioned clean-development mechanism that creates carbon credits.

—Shai Oster and Stephen Power contributed to this article.

China blasts wind-farm action

Beijing, energy companies say U.N. rejection of carbon credits for 10 projects hurts green effort

Reuters

Residents push their bicycles past a wind-power plant in Donggang, Liaoning province last month. The U.N. has denied carbon credits to 10 such wind farms.

By Shai Oster

BEIJING—China lashed out at the United Nations and warned clean-energy investment could be hurt after the U.N. denied 10 Chinese wind farms carbon credits this month, and accused China of fudging the numbers to make the projects eligible for international subsidies.

China has been the chief beneficiary of the U.N.'s Clean Development Mechanism, or CDM, under which rich countries can invest in carbon-abatement projects in poor countries and get carbon credits that can be traded. But China has been accused by critics of gaming the system and the U.N. The CDM board this month said that China deliberately set electricity tariffs so that the 10 wind farms, with a combined investment of some six billion yuan (about $879 million), couldn't be profitable without the subsidies.

The rejection of the 10 projects has sparked an unusually public response from China's biggest wind-power developers, who banded together to issue a public letter Monday protesting the U.N. decision. The Chinese government and the companies called the U.N.'s decision-making process arbitrary, opaque and unfair.

"If you reject wind power, what else is there?" said Sun Cuihua, an official at the National Reform and Development Commission, which oversees CDM projects in China.

"They say that we made up the electricity prices; that is an irresponsible thing to say," Ms. Sun told reporters.

The rejection "is sending a strongly wrong signal which will seriously damage the enthusiasm and confidence of investors to continue their investment in wind-power industry," said a statement by nine companies representing the projects, including the wind-power units of some of China's biggest state-owned companies such as utility China Datang Corp., and coal miner Shenhua Group Corp. The companies said they plan to present their letter at the climate-change summit in Copenhagen.

The fight over a handful of projects illustrates the much bigger battle being waged in Copenhagen over how and who will pay for reducing global warming, and which countries will benefit from the developments of new technologies.

The fight illustrates the bigger battle being waged over how to pay for reducing global warming.

The spat has called into question the legitimacy of the entire U.N. process, created as a way to help poor countries pay for the costly upgrades needed to reduce greenhouse-gas emissions. In theory, the credits are a way for rich countries to meet their domestic greenhouse-gas commitment by paying for a carbon-abatement project in a poor country that wouldn't have been built otherwise. But critics say the system has been distorted and abused, saying that China has sought to unfairly get investments for projects that fail to meet the U.N.'s standards because they would have been profitable to build anyway.

Obama's efforts face diplomatic hurdles

By Stephen Power And Jonathan Weisman

On the same day that U.S. President Barack Obama decided to commit 30,000 additional troops to Afghanistan, he reached out to global leaders in a series of phone calls and a White House meeting. When he finished talking about his military decision, he pivoted to another issue: the world's climate.

In a meeting with Australian Prime Minister Kevin Rudd, a videoconference with British Prime Minister Gordon Brown, and phone calls to the leaders of France, Russia, China, Germany, India and Poland, Mr. Obama pointed to his administration's efforts to use regulatory power to cut greenhouse-gas emissions, and made a pitch for action at the global summit in Copenhagen. After the calls, the White House declared that the president expected something meaningful could come from the summit.

When Mr. Obama journeys to the Danish capital Friday, he will be hard-pressed to satisfy the desires of other nations for the U.S. to commit to deep cuts in greenhouse-gas emissions, or for a long-term deal to subsidize developing nations' efforts to install low-carbon energy technology and to preserve forests. Mr. Obama may offer precise numbers and pledges, but he doesn't have the votes for legislation to put them into effect.

The president's immediate challenge is persuading 60 senators to support a proposal to require sharp cuts in U.S. greenhouse-gas emissions by 2050, and institute a system that requires businesses to pay for the right to emit such gases. Most Republicans oppose the cap-and-trade bill, as do some members of Mr. Obama's own party.

Sen. James Webb, a Virginia Democrat whose state depends on coal for 45% of its electricity, says legislation backed by Mr. Obama to require companies to pay for their greenhouse-gas emissions would lead to a "huge bureaucracy." Mr. Webb drove home his concerns about the Copenhagen summit in a public letter warning Mr. Obama not to commit the U.S. to a nationwide emission-reduction program. "As you well know from your time in the Senate, only specific legislation agreed upon in the Congress, or a treaty ratified by the Senate, could actually create such a commitment on behalf of our country," Mr. Webb wrote.

Climate politics are both national and global. Mr. Obama faces challenges in both arenas. At the same time, he is juggling rivalries among other major nations in an effort to forge a climate deal that doesn't put the U.S. economy at risk.

China will be the key to any world-wide climate deal. In private meetings with Chinese President Hu Jintao on Nov. 17, Mr. Obama won some promises, especially on a key issue for the U.S.: China's willingness to allow verification of its claims to curbing greenhouse-gas emissions. A joint statement that day by the two presidents included language on the issue that Mr. Obama wanted.

Associated Press

President Barack Obama, left, with President Hu Jintao in China last month.

A little-noticed tête-à-tête with Premier Wen Jiabao the next day may have been more crucial, a senior administration official said. Mr. Wen wanted Mr. Obama to outline his proposed commitments to cutting emissions before China put forward a proposal. The U.S. president assured the Chinese premier that he would lay his cards on the table soon.

On Nov. 24, Indian Prime Minister Manmohan Singh arrived in Washington for the first official state visit of the Obama presidency. Mr. Obama told Mr. Singh that China and the U.S. would put firm climate targets on the table. But if India stood on the sidelines, no progress would be made.

Messrs. Obama and Singh signed a joint statement committing to cooperation on climate change. The next day, Mr. Obama announced specific emissions targets he would personally take to Copenhagen. The Chinese put their targets on the table the following day, and a week later, India followed suit.

China and India aren't offering to cut emissions, as Mr. Obama has . They are proposing to make their economies more energy-efficient—which could mean their total emissions grow as their economies grow. That could further complicate the task of winning over skeptics in Congress.

China's offer to reduce carbon emissions relative to gross domestic product—an efficiency measure—"really doesn't mean a lot," says Sen. Webb. "I don't think China is a developing country in the sense we would want to use the word right now."

The 'Cost Control' Bill of Goods

ObamaCare's core promise—better quality care for everyone at lower costs—is being exposed as an illusion as it degenerates into the raw exercise of political power. Naturally, the White House and its media booster club are working furiously to prop up this fiasco, especially on cost control.

As Obama budget director Peter Orszag put it at a revealing media breakfast earlier this month, the Senate bill does everything the experts recommend to "get at the underlying drivers of health-care costs." While he admitted that "we don't know enough" to produce results right away, the key is to encourage "continuous improvement" through pilot programs and demonstration projects. Cost containment will actually take "years to decades," Mr. Orszag conceded.

The torch was then passed to Ron Brownstein of the Atlantic Monthly, David Leonhardt of the New York Times and editorial writers for the New England Journal of Medicine, among others. Last week the New Yorker ran a 5,000-word apologia from Atul Gawande, who likewise owned up to the fact that there is "no master plan for dealing with the problem of soaring medical costs," only "a battery of small scale experiments." Keep in mind, this is an argument *in favor of* ObamaCare.

Peter Orszag

* * *

They might have piped up earlier: What they're finally admitting is that all the grandiose talk about "bending the curve" used for months to sell ObamaCare really comes down to their hope that bureaucratic improvisation will make a difference over the long term. Yet the liabilities of the greatest social spending program in American history will be added to the budget almost immediately, and what happens if Mr. Orszag's technocratic revolution doesn't work as promised? Or rather, *when* it doesn't?

Forgotten in ObamaCare's march-to-the-sea campaign is that during the transition and early on, the White House was divided on whether to pursue health reform at all. Opponents included Larry Summers, worried about the economy and deficits, and David Axelrod, worried about the politics. Another faction led by Tom Daschle preached from the conventional social-equity church of liberalism.

Mr. Orszag proposed another option, citing academic research observing that as much as 30% of health spending is "waste" that doesn't affect outcomes. He argued the country could save $700 billion a year without harming quality—more than enough to pay for universal coverage.

> How Peter Orszag and the White House sold a health-care illusion.

Thus cost control migrated from Orszag theory to free political lunch. Mr. Gawande wrote an influential New Yorker essay on the topic in June, and the theme shaped both the case for a new entitlement and especially the appeal to potential opponents in business.

But then Congressional Budget Office director Douglas Elmendorf testified in July that "the curve is being raised," given that ObamaCare lacks "the sort of fundamental changes" necessary to tamp down costs. Meanwhile, it became clear that Mr. Orszag's favored research was always more nuanced and qualified than his pose of papal infallibility. One of his main gurus, Jonathan Skinner, mused recently that "the key lesson" from a new study challenging some of his findings "is how little we know about the science of health-care delivery."

Well, sure. A field as dynamic and innovative as U.S. medicine, in which costs are largely driven by new technologies and better ways of caring for patients, is rife with complexities and uncertainties. But no one bothered to strike that note of caution when Washington was hopped up on a cost-control gambit that was too painless to be true.

The new cost-control apologists concede that there isn't any actual plan for controlling costs: Throw enough speculative policies against the wall, they say, and some breakthrough will stick. Yet Mr. Orszag's no-less-confident predecessors spent decades trying to pull down Medicare spending with little to no success. Technocracy rarely if ever works as intended. Mr. Gawande points to the case study of U.S. farm policy, and if politically sacrosanct agriculture subsidies and rural price-supports are the best to hope for, then what's the worst?

More relevant examples include Medicare's "relative value" payment scale, which was designed in 1985 by the Harvard economist William Hsiao to encourage more primary care. That's this year's rallying cry too. "Diagnosis-related groups" were introduced into Medicare in 1983 to alleviate hospital cost growth, and what a monumental success that turned out to be. With only brief periods of relatively slower growth, nominal Medicare spending has risen on average at an annual rate of 9.6% since 1980. Over the same period total Medicare spending has grown 13-fold, climbing from 1.2% of the economy to 3.2% today.

Congress lacks the stomach for serious cost control in any case. One policy Mr. Orszag favors—Medicare penalties for hospitals that re-admit certain patients—is limited to only three conditions in the Senate bill, and the penalties are trivial.

Another—a putatively independent commission that is supposed to enforce cost cutting—is barred from going after costs incurred by doctors and hospitals, which leaves out more than half of Medicare spending. Earlier this year Mr. Orszag got into a heated debate with Henry Waxman over such a commission at a dinner party hosted by Connecticut Rep. Rosa DeLauro, precisely because the House baron enjoys the political power that flows from controlling health spending.

Even if Mr. Orszag's Princeton and Yale Ph.D.s really do cook up some hope-and-a-prayer savings plan, it will invariably offend one constituency or another and Congress will block it. Thereupon the political class will do what it always does when costs run over: Tighten price controls across the board, before moving on to denying patient access to costly treatments that will be defined as "wasteful." That is, ration care.

* * *

"Basically everything that has been put forward in health policy discussions for a decade is in this bill," Mr. Orszag said on a conference call shortly before Thanksgiving. He then asked critics pointedly: "What specifically else would you do?"

Hmmm. One liberal sage noted in a 2007 paper that "four decades of empirical research" have shown that insulating people through third-party insurance coverage "from the full cost of health care has been responsible for anywhere from 10% to 50% of the large increase in health expenditures." Ultimately, he concluded, increasing cost-sharing would give individuals a direct stake in more prudent purchasing, as opposed to today's invisible health dollars that vanish as more expensive premiums, foregone wages and higher taxes.

Those are the words of Jason Furman, now the White House deputy economic director who seems to have been put into witness protection. Every serious health economist in the country recommends reforming the tax exclusion for employer-sponsored insurance, perhaps by converting it to a deduction or credit. Cost control will never stick unless it is extricated from politics and transferred to individuals to make their own trade-offs.

Such reforms were ruled out by union opposition, so the Senate gestures at them with a 40% excise tax on high-cost insurance plans, on the theory that two wrongs will make a right. But this untargeted tax will simply raise the cost of coverage for all workers in a given pool—it's too clever by 40%—while doing nothing to stem the distortions from first-dollar, third-party insurance.

No doubt there are efficiencies to be had in health care, and maybe Mr. Orszag has even identified some of them. But all of his bright ideas could be taken for a whirl without adding trillions of new liabilities to the federal balance sheet. And the bad faith of the White House and its acolytes is breathtaking.

The White House hawked a permanent entitlement expansion on flimsy and speculative theories that its own partisans now admit—albeit when it is nearly too late—aren't more substantive than the triumph of hope over experience, while simultaneously writing off the one policy that has been effective in the real world. The cost control mantra of ObamaCare was always a political bill of goods, and its result will be the opposite of its claims: poorer quality care at higher costs.

Shanghaied in Tokyo

Attention to China's human-rights violations often focuses on events inside the country, but the abuses don't stop at the border. Take the case of Feng Zhenghu, a Shanghai native who has been camping inside the arrival concourse at Narita airport for 42 days.

Mr. Feng is living in the airport not because he is homeless, but because he has been deported from China. The precise reasons remain unclear, but during the past decade Mr. Feng has often fallen afoul of local officials in Shanghai. The 55-year-old has written extensively about forced evictions in that city, helped petitioners pursue legal channels to address their grievances, and until recently published a "Monitoring Bulletin" about cases of judicial injustice. Earlier this year Mr. Feng was detained for more than a month, and after his release he went to Japan for research—and, he told us, because he wanted to avoid being in China during the sensitive Tiananmen Square anniversary on June 4, when surveillance of activists increases. He has since tried eight times to return to his native Shanghai, where he holds a residency permit (as well as a valid Chinese passport). He has been turned away four times by airlines—who wouldn't let him board—and four times by officials in Shanghai, who have hustled him on to return flights. Authorities have never given him a reason.

> One man's airport vigil against an authoritarian state.

A normal government should have no reason to forbid one of its own citizens from entering the country. But Mr. Feng is part of a trend: China frequently uses its borders as a lever of control over troublemakers, whether keeping them in or keeping them out. In October at least two Chinese dissidents were refused entry even though they had valid passports or entry permits. Chinese poet Bei Ling was refused entry in November when he tried to return from the Frankfurt book fair. Many of the Tiananmen activists who live abroad are exiled from their homeland.

Perhaps Chinese authorities are simply deciding that in some cases it's less trouble to deport dissidents than it is to monitor or jail them when they are in the country. In Mr. Feng's case this approach is backfiring though: He has generated so much publicity and sympathy that he has had to ask travelers who pass through the airport to stop bringing him donations of food.

"Why do government leaders fear me this much, and put aside the dignity of the nation and the authority of the law to block me outside the gate of China?" Mr. Feng wrote on his blog. "I am just an ordinary intellectual." But for Chinese citizens, that can be a dangerous role.

OPINION

Obama Gives Britain the Cold Shoulder

By Con Coughlin

Britain is the only European country President Barack Obama can really count on to respond positively to his plea for NATO to provide extra forces for Afghanistan. So why is it, then, that the Obama administration can barely conceal its disdain for a nation that, by its deeds, time and again proves itself to be America's staunchest and most reliable ally?

Shortly before Mr. Obama's Afghan policy speech at West Point earlier this month, British Prime Minister Gordon Brown announced Britain was sending another 500 troops to that beleaguered country, bringing the total number of British troops to around 10,000. Yet the president never mentioned Britain's support—even though, unlike most other European countries, British soldiers are prepared to undertake combat operations, and have incurred significant casualties in so doing.

While NATO officials trumpeted the fact that they had secured an additional 7,000 troops from a variety of NATO and other states to support Mr. Obama's surge strategy, there has been only silence from France and Germany. For domestic political reasons, both French President Nicolas Sarkozy and German Chancellor Angela Merkel are reluctant to increase their military contributions.

Ideology and history explain the new U.S. disregard.

This makes Britain the most important European contributor to Mr. Obama's war against the Taliban, in which British soldiers are fighting alongside U.S. Marines in southern Afghanistan. Add to this the close and long-established intelligence-sharing operation that exists between the two countries, which has prevented a number of major terrorist atrocities, and it is easy to understand why the bond between America and Britain has long been the cornerstone of the trans-Atlantic alliance.

That is not how the Obama administration sees it.

Before he became president it was said that Mr. Obama harbored a deep grudge against Britain for its colonialist past. It is alleged that his paternal grandfather, Hussein Onyango Obama, was tortured by the British during the Mau Mau rebellion in Kenya in the 1950s, when it was controlled by Britain. In his autobiographical book "The Audacity of Hope," Mr. Obama unflatteringly compares the British Empire to South Africa's apartheid regime and the former Soviet Union.

Soon after his inauguration, he sent back to the U.K. a bust of Sir Winston Churchill that had been loaned to President George W. Bush after the 9/11 attacks. The sculpture had enjoyed pride of place in the Oval Office.

There is also an important ideological reason that Britain's leading policy makers find themselves increasingly shunned by the U.S. Key foreign-policy advisers to Mr. Obama are keen advocates of a federal Europe, one in which the European Commission based in Brussels is the main center of power and influence, rather than the individual capitals, such as London, Paris and Berlin. In this context, Britain's dogged attachment to a "special relationship" with America is regarded as an embarrassing relic of a previous era.

Michèle Flournoy, the U.S. undersecretary of defense for policy, is a leading supporter of an integrated European defense policy, which was anathema to the Bush administration because it would challenge the future of NATO. Philip H. Gordon, the State Department's assistant secretary for European and Eurasian Affairs, is another committed Europhile.

Before taking office Mr. Gordon wrote that America should "support the European project" and warned that Britain's historic resistance to closer European integration could seriously damage London's standing in Washington. "Fully in Europe, Britain has every chance to remain America's preferred and privileged partner," he said. "Marginalized from the EU [European Union], Britain could find itself less influential in Washington as well."

Yet in recent years, whenever the EU has been faced with a major international crisis, whether in the Balkans or the Middle East, the major European powers have tended to put their national interests first. This was graphically illustrated in Bosnia and during the build up to the Iraq war. And in Afghanistan, Europe divides between those who are prepared to fight, such as Britain, and those that are not, such as France and Germany.

For this reason alone, Mr. Obama and his advisers may regret their disregard for their most important battlefield ally in Afghanistan.

Mr. Coughlin is executive foreign editor of London's Daily Telegraph.

In the Service of Whose Country?

[Bookshelf]

Honorable Survivor
By Lynne Joiner
(Naval Institute Press, 448 pages, $37.95)

By Jonathan Mirsky

For many years no expert on China stood higher in the opinion of American students of China, including myself, than John S. "Jack" Service. A fluent Mandarin speaker born in China, he later entered the Foreign Service, only to become a victim of the McCarthy period and a subject of State Department loyalty probes.

Service, who died in 1999, was eventually judged innocent of disloyalty to the U.S. and abetting Chinese communism. But for years he was accused of being one of the State Department China hands who had "lost China" to the Communists. "Honorable Survivor: Mao's China, McCarthy's America, and the Persecution of John S. Service," a new biography by journalist Lynne Joiner, who was also his close friend, makes it clear—and this is her chief contribution—that at a minimum Service was "recklessly indiscreet" in his contacts with Communist sympathizers in the U.S. to whom he gave documents or disclosed details of U.S. policy.

Service was in many ways the ultimate China hand. Born in Chengdu in 1909 to a missionary family, Service loved China and believed that he not only knew what was best for it but that he could help bring this about. In the State Department he acquired a reputation as a China expert and linguist and in 1944, when the first official Americans flew to Mao's guerilla stronghold in Yan'an, Service was on the mission.

The group was received with fanfare by the Communists, who greeted Service and his colleagues with the same spirit of contrived comradeliness that had overwhelmed Edgar Snow in 1936 (and resulted in his hagiographic scoop "Red Star Over China"). Service was so swept off his feet that he compared the atmosphere in Yan'an to that of "an American religious summer conference, with the same tinge of 'smugness, self-righteousness, and conscious fellowship.'" Like all visitors, he contrasted Yan'an with the Nationalist capital, Chongqing, with its corruption, conspiracies, and the "claptrap of . . . officialdom."

On their return to Washington Service and the other Americans, having been wowed by Mao's skilful and mendacious presentation of his moderation, reported that they had seen China's future and maintained that the Communists should be treated with at least the same respect as Chiang's regime. Mao—amusing, dramatic, confiding and eager—declared he would cooperate with the Nationalists and not fight a civil war. "Service was 'almost taken off [his] feet by the warmth and fervor and earnestness' with which Mao argued for American support and sympathy."

Not all of the 'China Hands' accused under McCarthy were completely innocent.

Service's dispatches impressed his superiors in the State department. But it was those dispatches, and others that he wrote after his three months at Yan'an, that convinced his enemies he was a Communist dupe. He became increasingly disillusioned with President Roosevelt's China policy after his return to Washington in 1945. Service began leaking information and opinion to anyone who would listen—including Communist sympathizers and agents. Ms. Joiner's biography shows how certain Service was that the U.S. could "fix" China if only Washington knew what it was doing. She argues that this self-confidence, combined with recklessness, led Service to begin giving documents to leftist and probably Communist contacts who played him, as he would later admit.

What he didn't know was that the FBI was tapping the phones of the offices of Amerasia, a leftist journal edited by Phillip Jaffe, a devoted Stalinist who, although not a party member, admitted he was "giving information to . . . the Soviet intelligence agents." It was at the Amerasia offices one day that Service gave Jaffe a top-secret document. In June 1945, Service was arrested and charged with spying based on the "Amerasia wiretaps." Testifying under oath repeatedly for several years, Service said he had revealed no real secrets to Jaffe and others.

After some years all charges were dropped, but he was nevertheless dismissed from the State Department in 1951 because of doubts about his loyalty, and only rehired in 1957 because the case had collapsed. But Service was never again given a policy-making or China-related post, nor promoted. Although he was supported by some senior State officers and public figures like George Kennan, he also had a number of implacable enemies, including FBI Director J. Edgar Hoover and Senator McCarthy. In 1973 he received a standing ovation at a State Department luncheon for retired China experts.

Worn out by the years of suspicion and questioning, Service retired from the State Department in 1963 and spent the last years of his professional life at Berkeley, where he was admired by students and colleagues and regarded as a witch-hunt victim.

He attracted his fair share of sympathizers, including Ms. Joiner, who concludes that he was merely reckless. But Jack Service was more than that. In two phone interviews with me shortly before he died, Service admitted that he had given Jaffe a top-secret document revealing the Nationalist Order of Battle which showed the exact disposition of the forces facing the communists. He said he knew this could be considered treason. He added he was telling me this because he wanted to "get this off my chest. . . . I was gullible, and trusting, and foolish." Service also told me he had purposefully ignored Mao's persecution of his enemies at Yan'an, instead describing the place in his dispatches as being like an "Oxford Movement camp," referring to the 19th century Anglican revival. "We were pursuing the war, and those other acts were invisible. . . . I think Mao meant what he said then. He did violent things later."

Service's stunning admission that he did pass classified intelligence to Jaffe, whom he must have assumed would pass it on, puts his subsequent career—and Ms. Joiner's book—in a different light. He no longer can be viewed as an innocent victim. At the very least, he was reckless and indiscreet, which Ms. Joiner herself finds "puzzling." In 1950, asked by Senator Lodge why he had warned Jaffe that what he was learning from Service were military secrets, Service replied, "I think I misspoke." If what he told me near the end of his life is true, the word treason no longer seems misplaced.

Mr. Mirsky is a former East Asia editor for the Times of London.

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THE WALL STREET JOURNAL

"It's a text message from the group behind us—it says 'Fore'."

Tiger Woods and the Animation of News

[Information Age]

BY L. GORDON CROVITZ

Long after Tiger Woods has been forgiven of his transgressions, one lasting legacy of his extramarital activities will be a new journalistic art form: the animated news report. Millions of people have now viewed the online animations produced by Hong Kong-based Next Media depicting the wronged wife coming after Tiger Woods with a golf club and smashing the back window of his vehicle, causing the now-famous accident.

Technology delivers a new way to visualize complex stories.

This may or may not be what actually happened, but one lesson of technology applied to information is that every medium finds its ultimate conclusion, from talk radio to reality television. In the case of online video, animated "news" will fill the gap where there is no actual video. (If you've somehow missed this animation, view it at http://tinyurl.com/YL9H6X6).

Journalistic traditionalists tut-tut; animations are not re-enactments so much as a potential version of the news. Even leading new-media journalists are ambivalent. Kara Swisher, who blogs at the Journal's All Things Digital Web site, quipped, "It's not pretty, but it is hard to avert my eyes from the bizarre video report," comparing it to a video game "gone awry." She said she couldn't tell "whether such faux representations of how news might or might not have happened is a good or bad thing."

These animations are the latest brainstorm of Jimmy Lai, the founder of Next Media, which launched what are now the most popular Chinese-language newspapers in Hong Kong and Taiwan. Reflecting on how newspaper stories have more background about events than television news reports have, as he told me last week, "I thought, hey, why not make those missing images of the background into animated images?" He hired 160 software developers and engineers in Taiwan, who spent more than two years perfecting the technique. Reporters describe their interpretation of what happened to engineers and actors who serve as the models for the animation. Mr. Lai says that his team can create an animated video in 90 minutes, producing about 20 a day.

Mr. Lai says there's no confusing the animation with real video.

YouTube

It's as if viewers were there.

"The avatars are still quite wooden looking," he said, though he plans to make them more realistic as the technology improves. Still, viewers need to be discriminating, keeping in mind the difference between enactments and real footage.

Which reminds us that quite a few news stories would benefit from animation of reality: How about congressmen pretending to read the entire health-care bill, or Iranian arms-control negotiators secretly sniggering at U.N. diplomats?

Next Media launched its animations last month, and regulators in Taiwan have already fined the company for its sometimes-graphic depictions of murder and other crimes. Mr. Lai is philosophical. It takes time to get used to new forms of media, he says, "especially when you have competitors who fan the public's sentiment out of fear of an innovation's disruptive competition."

Next Media is based in Hong Kong, which has long enjoyed bragging rights for having more news outlets than any other city. Even under Beijing's rule, the former British colony has remained vibrant and transparent due in good part to its colorful spectrum of news media, including Mr. Lai's free-market and democracy-championing Next Magazine and sister paper Apple Daily.

There is a technology precedent for Mr. Lai's news innovation. Before the era of photography in newspapers and magazines, enterprising editors used similar creative license to help readers imagine how news might have happened. The Illustrated London News, founded in 1842, used woodcut-like drawings to depict dramatic scenes, everything from sightings of royals to natural calamities to lynchings of robbers during California's Gold Rush.

The pictorial newspaper sensationalized crime with a purpose. The editors hoped to "infuse a healthier tone of morality into the popular mind upon the subject of such dismal atrocities." When the newspaper printed a drawing of a new archbishop, every clergyman in Britain got a free copy.

As similar newspapers launched in the 19th century, the Illustrated London News hired an army of artists to interpret the news quickly, telling readers, "We shall be able to keep our wood engraving department further in advance by the retention of permanent artists ready at a moment's notice for the contingencies of every public event."

Mr. Lai plans to share his technology with news companies around the world. He reports that "we're in talks with news agencies and some major TV channels" in the U.S. to cooperate in producing animated news.

Another technology genie out of the bottle, destined to change our view of news.

Congress's Long-Term Care Bomb

BY SCOTT HARRINGTON

The public is growing wary of the cost of ObamaCare. Yet there is one budget-busting provision that hasn't received the attention it deserves: a new long-term care entitlement.

Known as the Community Living Assistance Services and Supports Act, or Class Act, this entitlement is in both the House and Senate bills and was a top priority of the late Sen. Ted Kennedy. It would provide at least $50 a day toward home or institutional care, equipment and supplies, or home improvements to assist the daily living of those who are enrolled. It is also a significant part of the reason that Democrats claim that ObamaCare is fiscally responsible, but this turns out to be a short-term budget ruse.

The Congressional Budget Office (CBO) projects that the House and Senate health-care bills will reduce federal deficits over the next 10 years by $138 billion and $130 billion, respectively. The lion's share of the savings, $101.6 billion and $72.5 billion, would be realized by the long-term care program.

How can a new entitlement reduce deficits? With budget accounting, the program will pile up more revenues than costs. But only in the short run. In the long run, it will blow a hole in the federal budget.

Private long-term care insurance works like other insurance policies. Those who buy policies pay premiums over a prolonged period of time. The premiums pay for the benefits they may eventually receive and cover the benefits for those who need immediate care.

To make sure that a premium paid today can pay for a benefit promised for tomorrow, an insurer determines the amount it will need for future benefits, marks that amount as a liability, and puts aside funds to pay for it. An insurer also creates an additional pool of capital to act as a buffer, just in case.

Another new, hidden health entitlement that will make future costs explode.

That isn't how the Class Act would work. The House and Senate bills stipulate that premiums would be calculated to cover benefit payments over a 75-year horizon without federal subsidies. And the bills do authorize the secretary of Health and Human Services to adjust premiums and benefits to maintain solvency. But CBO and the Centers for Medicare & Medicaid Services (CMS) have identified parts of the program that will subject it to considerable financial risk.

First, those who enroll would likely be more apt to need care and will be more expensive to cover than those who buy private insurance. To cover its costs, the program would have to charge more than private insurers.

On Friday, CMS Chief Actuary Richard Foster said in a memo on the (less costly) Senate version of the program that premiums would be set so high they would discourage healthier people from buying in. As the healthy stayed on the sidelines, the program would have to charge more to those who did enroll. This in turn would price more people out of the program, risking what the memo called an "insurance death spiral."

Mr. Foster does project the program will lower the federal deficit in its first decade (by $39 billion and $38 billion for the House and Senate bills respectively, much less than the CBO estimates). But neither CMS nor the CBO include in their 10-year projections the program's future liabilities. Of course, that's exactly when the government will have to make good on its promises, putting pressure on the federal budget. Why? Because unlike private insurance, the program won't invest its early surpluses.

Instead the program will hand over its revenues to the feds, who will promptly spend it. In return, the program's administrators would receive federal IOUs, just as Medicare and Social Security do. But these are nothing more than liabilities that have to be repaid, either by taxes or borrowing.

Under the House bill, CBO projects that the entitlement would bring in $123 billion in premiums from 2010-2019 and pay out only $20 billion in benefits. CBO also projects that the Senate's version would generate $88 billion in premiums and $14 billion in benefits.

But in a letter late last month to Sen. Tom Harkin, CBO Director Douglas Elmendorf explained that while the Class Act would likely reduce federal budget deficits during 2020-2029, it would do so "by smaller amounts than in the initial decade."

By the third decade, CBO says the program would pay more in benefits than it received in premiums and what it saved Medicaid (which currently pays for long-term care for millions of elderly). Mr. Elmendorf concludes that "the programs would add to budget deficits in the third decade—and in succeeding decades—by amounts on the order of tens of billions of dollars for each 10-year period." These long-term demands on the Treasury would coincide with shortfalls in Medicare and Social Security projected to be in the hundreds of billions of dollars. The shortfalls of the long-term care entitlement would also overlap with the strain put on the federal budget by the health-care reform bills' proposed expansions in health-insurance coverage.

Sen. Kennedy notwithstanding, it is hard not to conclude that a major motivation for the Class Act is to make ObamaCare look fiscally better over CBO's official 10-year budget horizon. Without the new long-term care program, CBO's projected deficit reductions for the House and Senate bills would be $36 billion and $58 billion, respectively, rather than $138 billion and $130 billion. This makes the overall Democratic reform look fiscally more responsible than it really is. The real danger comes after 10 years, when the long-term care program will increase deficits and create even greater pressure for government rationing of medical care.

Mr. Harrington is professor of health-care management and insurance and risk management at the University of Pennsylvania's Wharton School and an adjunct scholar at the American Enterprise Institute.

Notable & Quotable

Majken Friss Jorgensen, managing director of Copenhagen's biggest limousine company, on the climate change conference, from the London Telegraph (Dec. 5):

Jorgensen reckons that between her and her rivals the total number of limos in Copenhagen next week has already broken the 1,200 barrier. The French alone rang up on Thursday and ordered another 42. "We haven't got enough limos in the country to fulfill the demand," she says. "We're having to drive them in hundreds of miles from Germany and Sweden."

And the total number of electric cars or hybrids among that number? "Five," says Ms Jorgensen.

IN DEPTH

Fisker's new Karma model car, on display at the Los Angeles Auto Show earlier this month.

Bloomberg News

U.S. energy agency emerges as new force in venture capital

Washington is gaining sway by financing clean-tech ventures on a large scale, becoming a kingmaker in a hot sector

By Neil King Jr.

WHEN tiny Fisker Automotive Inc. hit a financing glitch last year, threatening its plan to build a fancy gasoline-electric hybrid car in Finland, it turned to the U.S. Department of Energy.

The department, known as DOE, had a bolder idea. Why not also step up the American company's plans to develop a less-expensive model, and assemble it in a closed U.S. auto plant?

Within months, Vice President Joe Biden, the former senator from Delaware, was helping lure the embryonic car company to a shuttered General Motors Co. factory six kilometers from his house in Wilmington, right across the tracks from Biden Park. Soon, Fisker Automotive, a two-year-old business that has yet to sell a car, won loans from the U.S. government totaling $528 million.

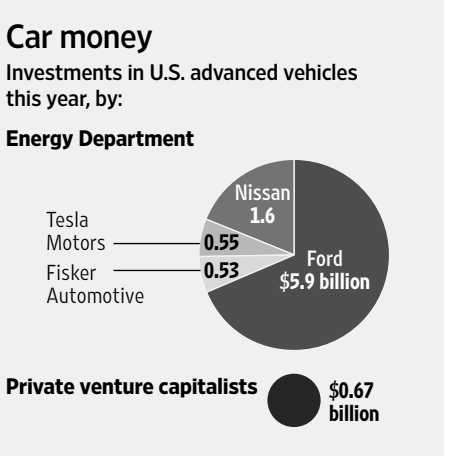
Fisker had joined a flock of other businesses seeking cash from the biggest venture capitalist of all, the U.S. government.

The DOE hopes to lend or give out more than $40 billion to businesses working on "clean technology," everything from electric cars and novel batteries to wind turbines and solar panels. In the first nine months of 2009, the DOE doled out $13 billion in loans and grants to such firms. By contrast, venture-capital firms—which have long been the chief funders of fledgling tech firms, taking equity stakes in the start-ups that will pay off if they go public—poured just $2.68 billion into the sector in that time, according to data tracker Cleantech Group.

Thus, while much attention has been focused on the federal government's involvement in banking, Washington also is gaining sway in another swath of the U.S. economy. By financing clean-tech ventures on a large scale, the government has become a kingmaker in one of technology's hottest sectors.

Some young companies are tailoring their business plans to win DOE cash. Private investors, meanwhile, are often pulling back, waiting to see which projects the government blesses. Success in winning federal funds can attract a flood of private capital, companies say, while conversely, bad luck in Washington can sour their chances with private investors. The result is an intertwining of public and private-sector interests in an arena where politics is never far from the surface.

In Delaware, "We had five individuals beating the band—the three members of the [congressional] delegation, the governor and the vice president," said the state's chief of economic development, Alan Levin. "We had in the vice president a secret weapon, except there is nothing secret about Joe Biden."



A spokeswoman for Mr. Biden said he made no direct appeals to DOE on Fisker's behalf before the loan was approved, though he did talk to the company several times afterward to put in a plug for his home state.

At the DOE, Matthew Rogers, who helps oversee the department's loans, said proposals are vetted by "deal teams" insulated as much as possible from outside pressure. "Lots of people can call the [energy] secretary, but that doesn't mean that any of that necessarily flows down to the deal-team level," he said.

More than 40 auto-related companies have sought government money to build parts or vehicles, ranging from hybrid roadsters and delivery vans to all-electric three-wheelers that could go 190 kilometers on a charge. They are chasing $25 billion in federal low-interest loans for a sector that has attracted less than a tenth that much in venture capital over the past five years, according to Cleantech.

"The existence of an 800-pound gorilla putting massive capital behind select start-ups is sucking the air away from the rest of the venture-capital ecosystem," said Darryl Siry, former head of marketing at Tesla Motors Inc., a San Carlos, Calif., company that

IN DEPTH

Fisker Automotive CEO Henrik Fisker, shown with U.S. Vice President Joe Biden, right, at an event in October to announce Fisker's intention to manufacture automobiles at the former GM assembly plant in Wilmington, Del.

Reuters

got a $365 million DOE loan in June to build high-end electric cars. "Being anointed by DOE has become everything for companies looking to move ahead."

Bright Automotive Inc. is still seeking anointment. Based in a small warren of offices outside Indianapolis, Bright looked set to take off in September 2008. Investors were poised to give it more than $100 million to move ahead on a lightweight hybrid delivery van, and it had lined up major corporations as potential customers.

When the financial crisis hit in that same month, investors bowed out. Though a few have since tiptoed back, enabling Bright to build a prototype, its principal hope for now lies in the DOE, from which it is seeking a large loan to get under way.

"We are caught in this blender of historically new forces, somewhere between the public and private worlds," said Bright's chief executive, John Waters. Without a government loan, private investors are reluctant to jump in, he says, while the DOE loan team is wary of backing ventures that haven't already won significant support in the private sector.

The DOE acknowledges it looks to back companies that already have substantial private funding, with the hope that federal money will in turn attract more private investment.

Fisker, based in Irvine, Calif., got rolling two years ago with seed money from two of Silicon Valley's largest venture-capital firms, Palo Alto Investors LLC and Kleiner Perkins Caufield & Byers. They and some smaller investors put up nearly $160 million to move Fisker's first car, called the Karma, off the design table and into early production. But to fine-tune the engineering and put it into full production, Fisker needed at least $200 million more.

In December 2008, Fisker turned to the DOE's $25 billion Advanced Technology Vehicle Manufacturing loan program, which Congress had funded to launch new, high-efficiency vehicles.

Fisker applied for about $170 million to get the Karma rolling. It also put in a second application, hoping eventually to win financing to build a cheaper model, code-named the Kx, which the company didn't envision bringing to market until around 2015.

DOE officials and their advisers expressed strong interest in the Karma proposal, say people involved in the talks, but they were wary of the Kx. Its engineering remained vague, and Fisker was far from having a prototype.

By late spring, DOE was pushing ahead briskly on the Karma loan, say people involved in the deal. But the Karma presented a political challenge: It was already being assembled, under contract, at a plant in Finland. Though it used mainly U.S.-made components, so a federal loan would help U.S. parts makers, the boost for U.S. workers would be limited.

DOE then came to Fisker with a surprising proposal: Find a U.S. site to build the Kx, and DOE would agree to fund both projects together. Fisker could then start gearing up to make the Kx even before the Karma hit the market. Close advisers to Fisker said the issue of job creation had become key to officials within the Obama administration.

"The government's interest sped it all up," said David Anderson, a partner at the Palo Alto Investors venture-capital firm, who followed the DOE process closely. "The government basically said, 'Let's make this happen sooner rather than later.' "

On June 1, GM said it was closing 14 plants, including the one in Delaware. This gave fresh urgency to the DOE's quest for Fisker, say officials involved in the loan discussions.

GM's Delaware factory, called the Boxwood Road plant and dating from 1947, once employed 5,000. It was the last auto assembly plant in the U.S. Northeast. State officials and politicians were determined to keep it alive.

In the middle of August, they learned the plant had drawn interest from Fisker. CEO Henrik Fisker came to see it and dropped by the office of a Delaware senator, Tom Carper, a Democrat. The visit unleashed a flurry of activity. Gov. Jack Markell, also a Democrat, quickly called an old friend at Kleiner Perkins to check on Fisker. "Basically, we wanted to know, 'Are they for real?' " said Mr. Levin.

Kleiner Perkins itself has political roots. A leading partner, John Doerr, sits on President Barack Obama's economic advisory board, and another partner is former Vice President Al Gore.

The DOE, in August, hadn't yet ruled on Fisker's loan request. Delaware's governor and congressional delegation began peppering U.S. Energy Secretary Steven Chu with calls on Fisker's behalf. They also had repeated discussions with Vice President Biden and his staff, according to Mr. Levin and several others.

In early September, Gov. Markell told Fisker that if it occupied the shuttered GM plant it would get an array of state incentives worth up to $22 million, including $9 million in cash for utilities. He promised to buy the first car off the line.

On Sept. 17, he ran into Mr. Chu at an event in Pennsylvania. "I know, I know—Fisker," Mr. Chu said as soon as he saw him, according to the governor, who said Mr. Chu told him he was "hearing from everyone in Delaware."

Five days later, Mr. Chu announced the government had signed a provisional agreement to lend Fisker nearly $170 million to complete engineering of the Karma, as well as $360 million to develop the less-expensive model Kx, which the company then began to call the Nina. Fisker still plans to assemble the Karma in Finland but will make the Nina in Delaware. Mr. Chu said the DOE funding would help reduce dependence on foreign oil as well as create "thousands of new American jobs."

People familiar with the loan say the government based the amount partly on its assessment that the Nina, which will sell for about $40,000 after government tax rebates, could draw world-wide annual sales of around 130,000—nearly twice Fisker's own projection.

Mr. Fisker, a former designer of sleek sports cars for BMW and Aston Martin, said he is sure his company would have won DOE funding without the Delaware politicians' support but credits it with speeding the approval. He added that Fisker picked the Delaware plant because it made economic sense.

Though its first model, the Karma, won't be available for test drives for months, Fisker says more than 1,500 potential buyers have put down refundable deposits on the car, expected to sell for $88,000.

On Oct. 27, about a month after the DOE approved loans to Fisker, its executives and Delaware politicians gathered in Wilmington for an announcement. In the morning, Mr. Biden played host to United Auto Workers brass for breakfast at his house near the Boxwood Road plant.

Then they joined hundreds of auto workers and local dignitaries at the factory. Gov. Markell announced Fisker was buying it from the post-Chapter 11 remnant of GM called Motor Liquidation Co. for just $18 million. The deal includes a high-end paint facility and other equipment that industry experts say would cost more than $300 million to replace.

In a rousing speech, Mr. Biden recalled how every election year, including his first in 1972, "I would stand here at this gate and shake hands at every shift." He told of many "long talks" he said he had had with Mr. Fisker. He called the project "a metaphor for the rebirth of the country."

Afterward, Mr. Fisker escorted the dignitaries behind a curtain for their first look at a mock-up of the planned second model, the Nina. It was a sporty car body, bright red, but with no drivetrain or engine. Gov. Markell, though, was impressed. "It was just a beautiful car," he said.

FROM PAGE ONE

Abu Dhabi helps Dubai and itself

Continued from first page

the U.A.E. Abu Dhabi, one of the world's largest oil producers, provides the bulk of federation funding. The economic heft translates into outsized influence running the country. The hereditary ruler of Abu Dhabi serves as the U.A.E.'s president, while Dubai's ruler serves as deputy president and prime minister.

Officials from both emirates emphasize unity, but their semi-autonomous nature has sparked speculation over the years of behind-the-scenes rivalry. Abu Dhabi is viewed as the quieter, more conservative emirate, a foil to Dubai's brash, international ambitions.

Dubai's debt restructuring appeared to open a rare public rift. Just hours before Dubai announced a six-month debt standstill in late November, two Abu Dhabi-controlled banks said they would lend Dubai $5 billion. That followed a $10 billion credit line extended by the federal government's central bank in February.

Abu Dhabi officials were taken by surprise by the debt-standstill announcement and its global market repercussions, according to officials familiar with the situation.

Abu Dhabi and its various corporate entities had recently launched an aggressive push to improve government transparency and raise money overseas. To help fund a 20-year development program, Abu Dhabi has raised roughly $8 billion so far this year on international credit markets.

But in the wake of Dubai's announcement, worry over the implied support Abu Dhabi would give its own companies hit hard. After the Dubai announcement in late November, the cost of insuring Abu Dhabi debt against default soared from just under $100,000 per $10 million to over $177,000 earlier this month, according to market tracker CMA. Late Monday in London, that had eased back to about $151,500.

Middle Eastern stock markets surged on Monday's announcement. The Dubai Financial Market's benchmark index rallied 10% to 1871.20, its biggest single-day gain in more than a year. The gauge has now added about 20% over the past there sessions, although it remains well below its level before the Dubai World standstill announcement. Abu Dhabi's stock market soared 7.9% Monday to 2821.11.

Last week, Moody's Investors Service placed the credit rating of several Abu Dhabi companies, including Mubadala Development Co., a vehicle that has financed much of the capital's infrastructure projects, on review for a possible downgrade, citing the uncertainty over government support.

Mubadala said last week that it was confident that its strategic importance and "sound business model" put it in a strong position with credit agencies.

The rising cost of its own borrowing appears to have outweighed any hesitancy in Abu Dhabi about providing more cash to Dubai, analysts said.

"Abu Dhabi's actions show that what is good for the country is good for everyone," said Manoj Madnani, the managing director of Kulczyk Investments SA in Dubai. "They put the "U" back in the U.A.E."

Another motivation for Abu Dhabi stepping in to help Dubai World appears to be the importance of the company's key asset, the Dubai port operations. A person close to the federal government said protecting the country's reputation as a dependable global transport hub was a national priority.

Dubai had specifically said its port operations wouldn't be affected by the debt restructuring. But Abu Dhabi wanted to ensure those operations wouldn't become embroiled in any creditor action related to Dubai World, this person said.

Abu Dhabi officials denied that the latest cash injection was a targeted bailout of Dubai World, and instead characterized the money as a loan.

"This is not a company bailout," said one Abu Dhabi official. "This is a government-to-government lending facility, and in times like these, it is not unusual for governments to borrow money."

Citigroup to repay $20 billion to U.S.

Continued from first page

deeply entangled with the government, a status that could have left the bank at a competitive disadvantage.

Citigroup said the repayment ends its status as a recipient of "exceptional financial assistance," which should free it from the most onerous government restrictions on pay.

The Treasury Department will continue to hold warrants for about 464 million Citigroup shares. Some banks, like Goldman Sachs Group Inc., have bought those warrants back, while Treasury auctioned its warrants for J.P. Morgan Chase & Co.

The issue "never came up" in Citigroup's negotiations with regulators and the government, a person with knowledge of the negotiations said. The warrants don't give the government the sort of say over compensation at Citigroup the way the government's extraordinary bailout of the company did.

Another Citigroup shareholder, Saudi billionaire investor Prince Alwaleed bin Talal, said he has no plans to sell his shares. In a statement, Prince Alwaleed said he supports Mr. Pandit and that Citi's plans to repay the U.S. government gives the lender "more certainty as to how they will conduct their business profitably."

Vikram Pandit

Citigroup's shares were down 2.8% in late-morning trading to $3.75. While cutting back the government's role could give Citigroup more freedom of action, investors have been concerned about dilution of their holdings, and Citigroup will issue more new stock than some had anticipated.

The exit deal is "expensive, yes, but worth the price," said Frank Barkocy, the director of research at Mendon Capital Advisors Corp. about the repayment. While Citigroup faces challenges, it will "be well-capitalized and management will have greater flexibility in running the company," he said.

He said he expects Wells Fargo & Co. and PNC Financial Services Group Inc. "to follow shortly."

Citigroup will sell at least $17 billion in new stock, with the potential of as much as $2.55 billion more, and sell $3.5 billion of so-called equity units to repurchase the $20 billion in trust preferred securities held by the government. It will also issue $1.7 billion in "common stock equivalents" to employees in lieu of cash.

The $20 billion repayment will result in an approximate $8 billion pretax loss for the bank. Citigroup will also see a pretax loss of about $2.1 billion related to ending the $301 billion government loss-sharing agreement. On the other hand, exiting the programs will cut interest expense by about $1.7 billion a year.

"We owe the American taxpayers and the government a debt of gratitude for their extraordinary assistance," Mr. Pandit said in a note to employees. Citigroup said that by Dec. 31, it will have paid or accrued $3.1 billion in dividends and interest to the government on TARP investment.

Early this year, Citigroup faced talk of nationalization, and its share price swooned to 97 cents in March from a record $55 in 2006. Citigroup suffered write-downs of more than $30 billion two years ago from risky mortgage bets.

The government engineered a multistep bailout, including two cash infusions last year that injected $45 billion into Citigroup.

—Joe Bel Bruno contributed to this article.

Exxon to buy XTO in $31 billion stock deal

Continued from first page

0.7098 share of Exxon for each share of XTO. That values the XTO's stock at $51.69, a 25% premium to Friday's closing price. XTO's shares were up 15% at $47.87 in morning trading on the New York Stock Exchange, while Exxon's shares were down 4% at $69.92.

Monday's deal could augur further efforts by major energy companies to snap up natural-gas assets and sent stocks higher in the sector.

Exxon and other major oil companies have been increasingly vocal about the role of natural gas, which burns relatively cleanly compared with oil. Exxon and Pacific region partners last week gave the green light to a $15 billion natural-gas project in Papua New Guinea.

While other oil and gas companies have entered into joint ventures with independent producers, the Exxon deal marks the first outright acquisition of a big natural-gas producer of gas from shale fields. Independent producers, which explore for and produce oil and natural gas but don't have refining or retail operations, have pioneered shale production, sparking a boom in domestic output.

Jefferies & Co., the investment bank that advised XTO in the Exxon deal, estimates that developing big natural-gas fields in Texas, Louisiana, Pennsylvania, Arkansas and Oklahoma will cost the industry $1 trillion over next 30 years.

"The transaction can't help but imply a vote of confidence in both the potential resource size in shale gas and in the majors' outlook for North American natural-gas prices," analysts with Simmons & Co. wrote in a note to clients.

Analysts at Tudor Pickering Holt said potential acquisition targets could include **EOG Resources** Inc., **Southwestern Energy** Co., **Petro-Hawk Energy** Corp., **Encana** Corp., **Chesapeake Energy** Corp., **Devon Energy** Corp. and **Anadarko Petroleum** Corp.

Gas prices also rose on news, though cold weather also played a part. Natural gas for January delivery was trading 20.1 cents higher Monday at $5.364 per million British thermal units on the New York Mercantile Exchange. Monday's deal implies that Exxon assumes gas will fetch $7 per million BTU on average over the next few years, said Cameron Horwitz, an analyst with SunTrust Robinson Humphrey in Houston.

Exxon Chairman and Chief Executive Rex Tillerson said the agreement is good news for the U.S. economy and the nation's energy security. The agreement is part of an "ongoing, disciplined evaluation of timely investment opportunities," he said.

When the deal is complete, Exxon plans to create a new operation to manage global development and production of unconventional resources. The operation will be based in Fort Worth, where XTO has its headquarters. XTO's U.S. gas holdings will merge with some unconventional gas properties Exxon has acquired on a smaller scale in the past couple of years in British Columbia, Germany, Poland, Hungary and Germany.

XTO Chairman Bob Simpson said joining with Exxon will "open new opportunities for the development of natural gas and oil resources on a global basis."

The deal, which is subject to shareholder and regulatory approval, is expected to close in the second quarter.

—Russell Gold and Christine Buurma contributed to this article.

Investors cheer deal to rescue Dubai World

Investors cheered Dubai's announcement Monday that its flagship conglomerate Dubai World will pay the debt of its struggling property unit Nakheel, thanks to 11th-hour funding from Abu Dhabi.

*By **Cassell Bryan-Low** in London and **Andrew Critchlow** in Dubai*

But the payment promise and a separate move by the emirate on Monday to set out a legal framework for future debt talks may not be enough to quickly repair the reputational damage Dubai has suffered among international investors over the handling of its debt restructuring, investors and observers said.

While Dubai's moves on Monday go a long way toward restoring confidence, they aren't "a magical pill that will clear the air and erase the confusion," said Jawad Ali, a Dubai-based partner at law firm King & Spalding, which represents at least one Dubai World creditor.

Sheik Ahmed bin Saaed Al Maktoum, chairman of the Dubai Supreme Fiscal Committee, said in a statement that Monday's actions were taken to reassure investors and others that "our government will act at all times in accordance with market principles and internationally accepted business practices."

On Monday, Abu Dhabi agreed to provide Dubai with $10 billion to settle some of Dubai's obligations, including a $4.1 billion debt payment related to an Islamic bond, or sukuk, that matured Monday. (Abu Dhabi and Dubai are the two biggest emirates of the United Arab Emirates. Abu Dhabi, one of the world's biggest oil producers, serves as the federation's capital.)

Monday's bailout is expected also to meet Dubai World's interest-payment and working-capital obligations through April 2010, the government said, contingent on a successful debt standstill with creditors. Dubai World said previously it would seek to restructure $26 billion in debt.

Dubai surprised markets last month by announcing a six-month debt standstill for Dubai World. The value of the Nakheel bond plunged, falling as low as about 40 cents on the dollar, from about 110 cents before the Nov. 25 announcement.

Investors who sold the bonds as prices plummeted lost money, but at least some hedge funds and other investors who swooped in to buy the bonds at depressed prices now stand to effectively double their money in some cases.

Among current or recent Nakheel sukuk investors are New York hedge funds **QVT Financial** LP, D.E. **Shaw** & Co.; and **Vicis Capital** LLC as well as money managers **BlackRock** Inc. and **Ashmore Group** PLC, of New York and London, respectively.

Dubai World officials are due to meet bank lenders later this month to hammer out the details of the standstill. In the event that a deal with creditors can't be reached, the new law promulgated Monday could provide a legal system of arbitration, in which lenders could in theory pursue asset sales or other attempts at getting their money back. The law establishes a panel of judges who would preside over debt and corporate restructuring disputes, Dubai said.

The new law is untested, and isn't likely to dramatically reassure other bond holders immediately. Still, it may provide some comfort to lenders, who have worried about legal recourse in Dubai in the case of default.

British Airways crew votes for a holiday strike

BUSINESS & FINANCE 23

Tokyo Stock Exchange won't appeal ruling

MARKETS 30

BUSINESS & FINANCE.

Tuesday, December 15, 2009 THE WALL STREET JOURNAL. asia.WSJ.com

China casts its shadow on Mongolia

[The View from Hong Kong]

By Peter Stein

ULAANBAATAR, Mongolia—China's economic growth and its implications for the world inspire both optimism and fear. In the U.S. and Europe, many businesses see a vast and growing market, even as their workers face China's low production costs and increasingly sophisticated technical capabilities.

But in the remote, windswept streets of Ulaanbaatar, the capital of a country with a strategic importance to China, the promise and the threat loom especially large these days.

In Mongolia, China's role as the catalyst for interest in this desert land's untapped mineral and energy resources has fueled optimism. Chinese demand for coal, copper and other Mongolian resources means anyone investing in the businesses that excavate them has a guaranteed market right next door.

But some in this traditional land of conquerors fear the China it once ruled may now swallow the tiny Mongolian economy.

"In my opinion, it's not a question of whether Mongolia will get money or not, but of the very existence of Mongolia as an independent country," says Gombosuren Arslan, who leads a Mongolian political group called the Just Society Front. He wonders: "will Mongolia become a colony of China?"

China is already Mongolia's biggest foreign investor, and new funds are pouring in. In recent months, China's sovereign-wealth

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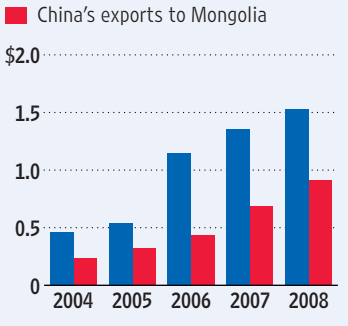
Resource ties

China-Mongolia trade, in billions of U.S. dollars



Source: General Administration of Customs, China

Toyota plans for new hybrid

Vehicle to plug in to recharge as competition with electric autos grows; Smart car for China

Toyota Motor Corp. said it would sell its upgraded plug-in hybrids globally in about two years, amid heightened competition in the electric-and-hybrid-vehicle market.

*By **Yoshio Takahashi**, **Patricia Jiayi Ho** And **Norihiko Shirouzu***

Meanwhile, **Daimler** AG said it would start a pilot program for an electric version of its Smart minicar in China next year, joining a growing list of firms focusing on developing clean-energy vehicles for the world's biggest automobile market. The move follows an announcement by China's central government last week that it will subsidize private purchases of alternative-energy vehicles in five cities.

Toyota said the initial sales target for the next-generation plug-in hybrid is only several tens of thousands of cars a year.

"Toyota believes that plug-in hybrids are a realistic solution among vehicles using electricity," Toyota Executive Vice President Takeshi Uchiyamada said at a news conference.

The new hybrid is powered by electric motors and an internal-combustion engine that kicks in when the batteries run low or more power is needed. The batteries can be recharged by plugging into a standard electrical outlet. Current hybrids are charged by the car's engine and braking system.

Ahead of the mass-market introduction of the new vehicle, which is based on the flagship Prius hybrid, Toyota said that in the first half it will lease about 450 of the cars in Japan, Europe and elsewhere, and will offer about 150 in a free program in the U.S. to gather data to improve the model.

Agence France-Presse/Getty Images

Toyota Executive Vice President Takeshi Uchiyamada demonstrated the new Prius plug-in hybrid in Tokyo on Monday.

The third-generation Prius, which made its debut earlier this year, was a hit in Japan, helped by government purchase incentives and tax breaks. But fully electric cars, which generate no toxic exhaust, are emerging to challenge Toyota's hybrids.

Nissan Motor Co. plans to roll out an electric car next year. **Mitsubishi Motor** Corp. introduced the world's first mass-market electric model, the i-MiEV, in Japan this year.

In China, auto makers such as **BYD** Co., which plans to market all-

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AXA and AMP raise offer for unit

By Rebecca Thurlow And Bill Lindsay

SYDNEY—**AXA** SA and Australian wealth manager **AMP** Ltd. Monday sweetened their bid for AXA's Asia-Pacific unit to 12.85 billion Australian dollars ($11.72 billion), raising the offer by A$515 million, and set a one-week deadline, increasing pressure on minority shareholders to accept a deal.

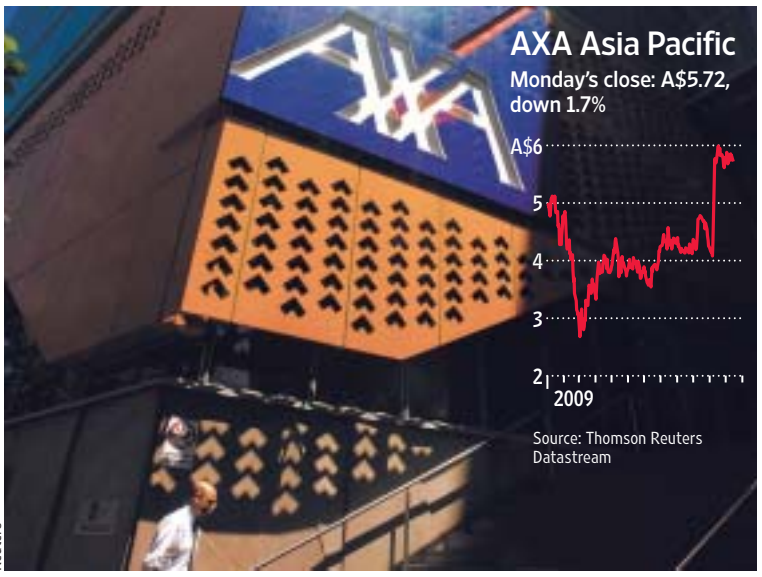
The independent directors of **AXA Asia Pacific Holdings** Ltd., a wealth management and life-insurance company, said they will consider the revised proposal. Analysts said the improved terms should be enough to seal a deal.

AXA owns about 54% of the unit, but the offer requires the agreement of shareholders representing 75% of voting shares.

The suitors increased the cash component of their offer to A$1.92 a share, an increase of at least 54 cents from the previous cash component, which varied based on exchange rates. They also turned up the pressure for a quick decision by declaring it their final offer, saying it expired at end of day Monday.

"The independent board committee will take the appropriate time to carefully consider the revised proposal," AXA APH Chairman Rick Allert in a prepared statement.

The bidders continue to offer 0.6896 AMP shares for each AXA APH share along with the cash component.



Reuters

Helped by a rise in the AMP share price since the original offer was unveiled, the bid is now valued at A$6.22 a share based on Friday's share prices, up from the initial offer of A$5.34.

After rising as much as 3.3% to a high of A$6.01, AXA APH shares fell to end the day down 1.7% at A$5.72.

Under the terms of the proposed deal, AXA SA would get AXA APH's Asian operations while AMP would take over its New Zealand and Australian wealth-management businesses.

If successful, the deal would make AMP Australia's biggest funds manager and free AXA SA from regulatory shackles as it seeks to ramp up its Asian expansion. As part of its agreement with the Australian government in 1995 when it acquired a 51% stake in AXA APH's forerunner, National Mutual Life, AXA SA agreed to use the business for all of its future Asian expansion

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Pay worries slow BofA's CEO search

Bank of New York Mellon's Robert Kelly emerges as front-runner; issues loom amid compensation backlash

By Dan Fitzpatrick And Joann S. Lublin

Bank of America Corp. pushed closer over the weekend to hiring its next CEO, but compensation remains an obstacle despite the bank's escape from government restrictions on executive pay, according to people familiar with the situation.

Robert Kelly, the 55-year-old chief executive of **Bank of New York Mellon** Corp., has emerged as the front-runner to succeed Kenneth Lewis, who is set to retire at year-end, these people said.

As of Sunday night, the negotiations were fluid, and a person close to Mr. Kelly cautioned that it might not be possible to reach an agreement with directors of the Charlotte, N.C., bank.

Officially, Mr. Kelly hasn't been offered the top job at Bank of America, which is the largest U.S. bank as measured by assets. But the gap between him and the bank's board "is down to compensation now," said one person familiar with the situation. "If they can reach some level of comfort around compensation, he will take it," this person said.

Through a spokesman, Mr. Kelly declined to comment.

The last-minute hitch shows how sensitive Bank of America is to outside perceptions of its compensation culture even after the company received approval to repay $45 billion in federal bailout money, freeing it from pay limits and scrutiny by Treasury Department official Kenneth Feinberg.

Directors involved in the hiring process are reluctant to offer Mr. Kelly anything that could stir up a public outcry, people familiar with the situation said. Similar worries about outrage over pay led Goldman Sachs Group Inc. to announce last week that its top 30 executives will receive no cash bonuses for 2009 despite the firm's expected record profits.

The Associated Press

Bank of New York Mellon Chief Executive Robert Kelly, left, is the front-runner to succeed Bank of America Corp. Chief Executive Kenneth Lewis, right. Mr. Kelly has deep experience in retail-banking and capital markets.

On Sunday, President Barack Obama criticized U.S. banks for continuing to rein in lending and award bonuses amid painful economic uncertainty for millions of Americans.

"I did not run for office to be helping out a bunch of fat-cat bankers on Wall Street," Mr. Obama said in an interview on CBS's "60 Minutes."

Messrs. Kelly and Lewis are expected to attend a private meeting Monday at the White House, where banks will be prodded to rev up their loan volume.

In 2008, Mr. Kelly made $13 million, including stock and deferred compensation and $20 million in 2007, according to securities filings.

He owns Bank of New York Mellon shares valued at $11.8 million, plus unvested restricted, deferred shares and performance-based shares valued at $8.6 million.

It is common for companies to buy out stock options and other unvested compensation that newly hired executives received from their previous employer.

In contrast, Mr. Kelly doesn't want "to be made whole" for compensation he would leave behind at Bank of New York Mellon, according to a person close to the situation. "He is very sensitive to the world around him."

Another complicating factor is that Bank of New York Mellon directors want Mr. Kelly to stay, said people familiar with the situation.

His name surfaced shortly after Mr. Lewis stunned Bank of America's board with his Sept. 30 retirement announcement.

Mr. Kelly was first approached about the CEO job in October but appeared to slam the door in a Nov. 4 email to executives at Bank of New York Mellon.

"I am not interested," he wrote. "I look forward to crafting the future with you."

Several other outside candidates also spurned approaches by Bank of America, partly because of pay restrictions the bank faced at the time.

Mr. Kelly reconsidered his interest after Bank of America was approved earlier this month to repay its federal bailout funds. Last week, Mr. Kelly informed his board about new conversations with Bank of America's board, which was ready to hire an internal candidate but then decided to look again at outside executives.

The Canadian-born Mr. Kelly has deep experience in retail banking and capital markets. He also is well-known in Washington, New York and Bank of America's hometown. He spent five years in Charlotte as chief financial officer at First Union Corp. and Wachovia Corp., which merged in 2001. He left the combined company before its ill-fated takeover of Golden West Financial Corp. in 2006.

Until last week, it looked likely that the top job would be offered to Bank of America Chief Risk Officer Gregory Curl or Brian Moynihan, president of consumer and small business banking.

Messrs. Curl and Mr. Moynihan haven't been ruled out, said a person familiar with the situation.

Fairfield latest casualty in U.S. real estate market

By Mike Spector And Lingling Wei

Fairfield Residential LLC, one of the nation's largest apartment owners and developers, filed for bankruptcy Sunday, the latest casualty of the turmoil engulfing the U.S. real-estate market.

Fairfield, which has built some 64,000 apartments, condominiums and off-campus student-housing units throughout the country, failed amid an inability to refinance debt or sell investment properties. That left the private San Diego, Calif., company with a litany of near-term maturities on debts related to various development projects and other investments.

Fairfield filed for Chapter 11 late Sunday afternoon in Delaware and listed assets of $958 million and liabilities of $834.9 million as of the end of September. In addition, Fairfield noted that many of its properties are worth less than their loan balances. That contributed toward putting Fairfield in violation of certain financial covenants with two main lenders: **Wells Fargo** & Co.'s Wachovia and **Capmark Financial Group** Inc., the big real-estate lender that recently filed for bankruptcy itself.

In addition to development, Fairfield also buys and sells real-estate assets, including the Milano in Torrance, Calif., and a sale of the Castlegate apartment complex in the Washington, D.C., suburbs.

It acquired $7 billion of apartments over the past seven years, and has sold more than $12 billion of real estate since 1997.

The bankruptcy is also a blow to the **California State Teacher's Retirement System** and a subsidiary of **Mitsubishi** Corp., both of which invested in Fairfield over the years.

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Associated Press

British Airways planes wait to depart from London's Heathrow last month. A 12-day strike is due to begin on Dec. 22.

BA crew votes for holiday strike

Walkout threatens major disruptions as airline struggles to stem losses

By Kaveri Niththyananthan

LONDON—**British Airways** PLC's cabin crew on Monday voted to strike over the busy Christmas period, threatening massive disruption for thousands of passengers.

A strike would mark the biggest blemish on the tenure of BA Chief Executive Willie Walsh, who since 2005 has been trying to streamline the carrier, but has alienated many staff members in the process.

A 12-day strike is due to begin Dec. 22, trade union Unite said. It said 92.5% of its members who voted supported industrial action. The union said it remained open to negotiations, but only if BA reverses changes to working practices that it has already imposed. Unite said it didn't rule out further action.

British Airways in a statement said it was extremely disappointed by the decision, which it said shows a lack of concern for its customers, its business and other employees.

"A 12-day strike would be completely unjustified and a huge overreaction to the modest changes we have announced for cabin crew which are intended to help us recover from record financial losses," the statement said.

The carrier and unions have clashed over BA's plans to restructure and adjust working practices in an effort to return the company to profitability after posting a £292 million ($474 million) loss for the six months ended Sept. 30.

Strikes are dangerous for airlines because the disruptions are expensive and can discourage passengers from flying with the carriers again.

Airlines globally have suffered amid the economic downturn as passengers traded down to cheaper economy tickets or refrained from travel altogether. The International Air Transport Association forecasts the industry will have an $11 billion loss this year.

BA in particular has been hard hit because of its dependence on lucrative premium traffic across the Atlantic, which has fallen in the wake of the financial crisis and economic downturn. Analysts expect BA to post a £800 million pretax loss for the fiscal year ending March 2010, compared with a year-earlier loss of £401 million.

After making no progress on talks that dragged on for nine months, BA on Nov. 16 introduced changes to its cabin-crew staffing—namely reducing onboard personnel to 14 from 15 at London's Heathrow Airport—after the U.K. High Court dismissed an injunction application by unions. Instead, the two sides agreed to meet in court Feb. 1 to decide whether the changes are contractual or not.

BA insists changes allow the airline to accept more than 1,000 voluntary departures among cabin crew and to permit 3,000 others to shift to part-time work. The British flag carrier employs 13,500 cabin crew, of whom 11,500 work at Heathrow. About 9,000 work on long-haul routes. It aims to shed 4,900 positions during the fiscal year ending March 31, of which 3,700 will be in the U.K. BA employs about 38,700 workers.

"This is a double disaster for British Airways," said Bob Atkinson of travelsupermarket.com. "Its customers are now going to be significantly affected, and the airline will take a financial hit from the action."

At 15:27 GMT, BA's shares traded down a penny, or 0.5%, at 200 pence, while the benchmark FTSE 100 index traded up 1%.

Earlier Monday, BA said it has yet to decide how to tackle its pension deficit, which has risen 76% to £3.7 billion over the past three years. In an unusual move, the U.K. airline released the size of the pension deficit but didn't outline a recovery plan, suggesting it is still at odds with the pension trustees over levels of contributions the airline should make in the future. No one at BA's pension trustees was immediately available to comment.

—Jonathan Buck and Lilly Vitorovich contributed to this article.

EU welcomes pledge by Oracle to support MySQL

By Charles Forelle

BRUSSELS—European Union antitrust regulators reacted positively to a proposal Monday by **Oracle** Corp. to safeguard the MySQL database, putting Oracle's bid for **Sun Microsystems** Inc. on a path to be cleared by the bloc.

European approval is the last major hurdle for the $7.4 billion purchase. The EU has expressed concerns that Oracle could squelch MySQL, which as an open-source product can be downloaded free, to protect its core database franchise. Oracle is the world's largest database vendor; Sun acquired MySQL last year.

In a statement Monday, Oracle said it would "continue to enhance" MySQL and release future versions under an open-source license. It also said it would make available certain programming details needed for others to work with MySQL, and would hold off on any copyright claims against third parties who use those details.

The assurances fall well short of the demands of the deal's critics, some of whom had called for Oracle to spin off MySQL entirely—something the company had adamantly refused to do.

Still, the European Commission said in a statement it "welcomes" the Oracle moves, calling them "an important new element to be taken into account in the ongoing proceedings." The regulator has until late January to make a final ruling, but the tenor of its comments suggests it is now favorable to the deal. Still, reaction of the market could sway it.

Florian Mueller, an adviser to MySQL founder Michael "Monty" Widenius, who has ardently opposed the deal, called Oracle's offer "cosmetic." Mr. Mueller said the proposal wouldn't give business-database users "comfort to continue to make investments in and around MySQL." Without firmer assurances that MySQL will be allowed to thrive under Oracle, he said, the open-source database will be limited "to small projects and the Web."

An EU spokesman declined to elaborate. Both Oracle and the EU said they were having "constructive" talks.

Oracle's proposals took the form of a public pledge, and not a more-stringent offer of legally binding "remedies." The distinction means the EU won't formally solicit opinions from customers and competitors—a process that could have delayed the deal further. U.S. authorities have already blessed it.

Sun's main focuses are computer servers and the Java technology, but the fate of MySQL has been a sticking point for the EU. Last month, it issued preliminary objections to the deal, based on its concern that MySQL would wither under Oracle. The two sides had a contentious hearing in Brussels late last week.

Oracle has argued that MySQL, with just €17 million ($25 million) in revenue in Europe last year, was both too small to merit antitrust concerns and, in any case, a lower-end product that competed little with its heavy-duty databases. It brought eight customers to last week's closed-door hearing to make that point, and in an earlier legal filing it claimed the EU misrepresented results of a market survey when it raised its objections.

Oracle Monday made 10 "commitments" which don't entail any legal separation of MySQL. Among them is an offer that, for five years, Oracle won't change the terms of its contracts with resellers who package MySQL. Another says that customers who buy the commercial version of MySQL don't have to buy support services from Oracle.

AXA and AMP sweeten offer for unit

Continued from page 21

plans.

The proposal is AXA SA's second attempt to snap up AXA APH's Asian assets. The French parent failed with a lowball A$6.9 billion buyout of AXA APH in 2004.

Peter Vann, senior investment analyst with investment management firm **Constellation Capital**, which holds AXA APH shares, said the revised offer "seems reasonable" and most minority shareholders would likely embrace it.

If a deal is struck with the independent directors, a minority shareholder vote will then be required to approve the proposal under a scheme of arrangement.

AXA APH's independent directors rejected the initial offer in early November, saying it undervalued the company, particularly its Asian assets.

Under the revised proposal, the cash component is fixed. In the initial offer it was subject to adjustment for movements in the exchange rate. Other sweeteners include what's known as a mix-and match facility that would allow AXA APH minority shareholders to take a greater proportion of their consideration in cash or shares. AMP has also offered to include two AXA APH directors on the AMP board.

"We are offering AXA APH minority shareholders improved value and greater certainty," said AMP Chairman Peter Mason.

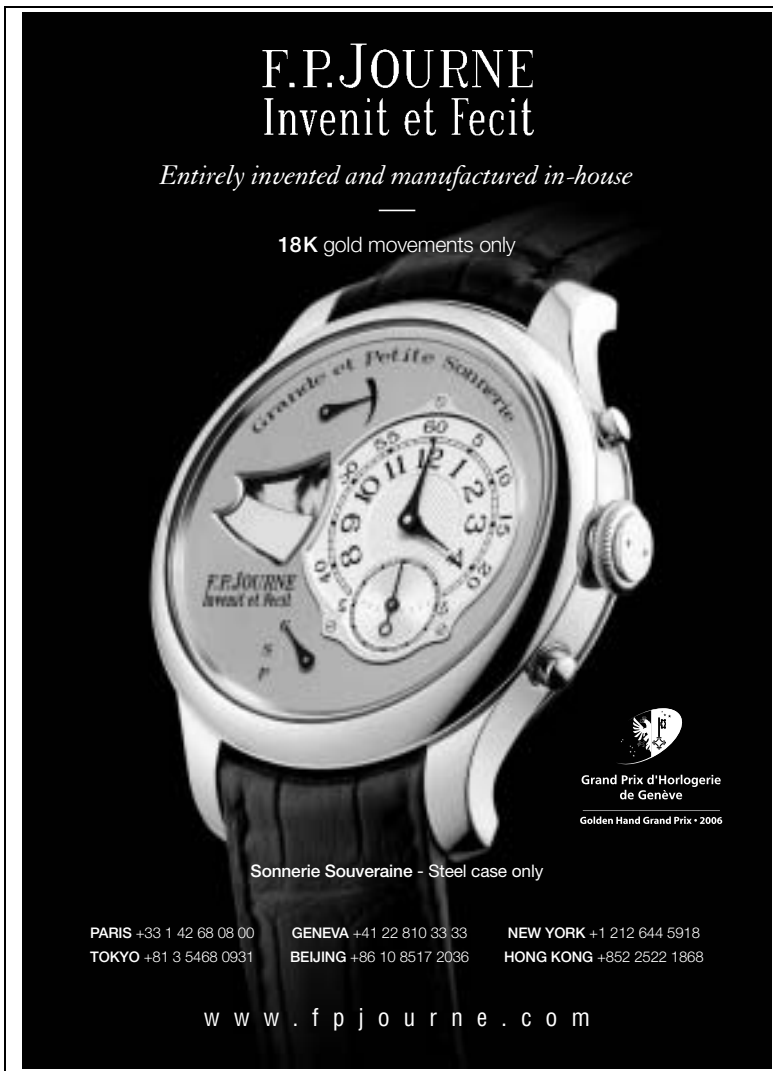
AMP Chief Executive Craig Dunn said the firm has had "preliminary soundings" with regulators since the first approach was rejected. While he didn't wish to pre-empt their decisions, "our sense of those discussions are that there's no significant obstacles" to the deal proceeding, he said.

The revised proposal values AXA APH's Australian and New Zealand business at A$4.41 billion and its Asian business at A$9.63 billion, AXA APH said.

If the deal proceeds, AMP would have 8.3% of the local funds management market with A$108 billion under management, according to financial services data firm Rainmaker.

AXA APH is being advised by Macquarie Bank while Deutsche Bank is advising AXA SA and UBS is advising AMP.

—David Rogers in Sydney contributed to this article.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Accenture boots Tiger off its team

Global consulting firm becomes first sponsor to cut ties with golfer, saying he is 'no longer the right representative'

By Emily Steel And Vanessa O'Connell

In the latest blow to Tiger Woods's multimillion-dollar endorsement business, global consulting firm **Accenture** PLC said Sunday that it had terminated its sponsorship pact with the golf superstar.

Accenture's decision to cancel its six-year relationship followed two weeks of revelations of alleged extramarital affairs after a Nov. 27 car accident outside Mr. Woods's home that has led to intense international scrutiny of his personal life.

On Friday, Mr. Woods announced on his Web site that he would take an indefinite break from professional golf to focus on family—a move sports marketers say also gave his sponsors a way to limit their exposure to the furor surrounding his personal conduct without abandoning him entirely.

But that move wasn't enough to hold Accenture, whose brand is among the most closely associated with Mr. Woods's image. Accenture executives started evaluating its sponsorship of Mr. Woods immediately when the news broke, according to people familiar with the matter. Late Friday, the consulting firm had removed the golfer's image from a page on its Web site. On Sunday, the company issued a statement saying the relationship with Mr. Woods was over.

Accenture

Tiger Woods was the center of Accenture's advertisements in 27 countries.

"After careful consideration and analysis, the company has determined that he is no longer the right representative for its advertising," Accenture said in the statement.

In an email Sunday, Mark Steinberg, an agent for Mr. Woods, acknowledged Accenture's decision. "We are disappointed but respect their decision. That is all I have to say to you," said Mr. Steinberg.

Mr. Woods's other sponsors include **Procter & Gamble** Co.'s Gillette, **Nike** Inc., and **AT&T** Inc.

Some of those big marketers also are assessing their relationship with the golfer, who rakes in about $90 million annually in sponsorship fees. Gillette said Saturday it was limiting Mr. Woods's role in its marketing programs, becoming the first major sponsor to publicly sideline the golfer from its advertising after he put his career on hold. AT&T is "presently evaluating our ongoing relationship with him," a spokesman said on Friday.

"Over the coming weeks, Tag Heuer will assess its options with regard to its long-term relationship with Tiger Woods and IMG," said a spokeswoman for luxury-watch maker Tag Heuer, a unit of **LVMH Moët Hennessy Louis Vuitton** SA.

Of all Mr. Woods's sponsors, Accenture's brand may have had the most vulnerability to the publicity crisis, marketing experts have said. Mr. Woods was the centerpiece of the company's business-to-business ad campaigns, which included print, cable and TV advertising in 27 countries, as well as display ads in airports and extensive internal branding within Accenture itself. Many of the firm's ad slogans appeared archly ironic in light of Mr. Woods's admitted misconduct.

One recent print campaign read: "It's what you do next that counts," "Opportunity isn't always obvious," and "The road to high performance isn't always paved." Most ads featured an image of Mr. Woods on the golf course, along with a tagline that read: "We know what it takes to be a Tiger."

Accenture executives notably didn't issue supportive statements regarding the company's sponsorship during the past two weeks, to give the company time to analyze its options, according to a person familiar with Accenture's thinking. Other major sponsors, including Nike, **PepsiCo**. Inc's Gatorade sports drink and videogame maker **Electronic Arts** Inc., said their relationship with Mr. Woods remained unchanged.

"He is the best golfer in the world and one of the greatest athletes of his era," a spokeswoman for Nike said in a statement on Friday. "He and his family have Nike's full support." Nike pays Mr. Woods more than $20 million annually.

Formerly known as Andersen Consulting, Accenture is one of the largest independent consulting, technology and outsourcing companies in the world, with revenue of $23.2 billion in its last fiscal year.

—Matthew Futterman, Reed Albergotti and Ben Worthen contributed to this article.

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ArcelorMittal to pare jobs amid low demand

By Robert Guy Matthews And Alex MacDonald

In a sign that steel demand isn't expected to recover strongly in 2010, the world's largest steelmaker, **ArcelorMittal**, is looking to eliminate about 11,000 jobs, with most of the cuts likely in Europe and the U.S., where the growth potential is more limited.

The company declined to specify layoff numbers, but a person familiar with the matter said the target is about 4% of the company's 287,000 employees. Many of the cuts are expected to affect workers who were furloughed after a round of plant idling earlier this year; the work force also is expected to be reduced through attrition.

"Company representatives discussed the possibility that the business could expect some global workforce reductions next year due mainly to natural attrition and optimization of production," said Giles Read, spokesman for the steelmaker. "We don't wish to comment on any figures discussed since they are not final."

While the steelmaker is pulling back in the developed areas of the world, ArcelorMittal still is investing and expanding in the emerging markets. In the past few months, the steelmaker said that it has invested in a mill in India and bid to take over steel operations in Zimbabwe. The company is also searching for more expansion in Brazil, where it can be close to its nearby iron-ore supply. ArcelorMittal said it aims to increase its steel production through the end of the year to reach 70% capacity utilization in the fourth quarter, compared with about 61% in the third quarter.

The company cut half of its crude steel production at the beginning of 2009 in response to a slump in steel demand caused by the financial crisis and the consequent global economic downturn. ArcelorMittal and many other large steelmakers spent most of the first half of this year restructuring their balance sheets, reducing costs, cutting jobs and shelving expansion projects in order to conserve cash.

The industry outlook has recently strengthened, as demand in China, Brazil, India and Africa starts to recover. Steel prices have risen 10% to 30% in the past three months.

Despite the upward trend, steelmakers are remaining cautious about ramping up production and bringing back workers. China's **BaoSteel**, Japan's **Nippon Steel** and **AK Steel** in the U.S. have tentatively started price increases for some steel delivered in 2010.

Whether those price increases will stick still isn't clear. Last month, some steelmakers tried to raise prices on some products but buyers rejected the increases and either held off or relied on their current inventories until the steelmakers backed down.

Apparent steel demand within the European Union is expected to rise between 10% and 15% in the first quarter of 2010, but prices aren't expected to rebound until the spring, according to the president of the European federation of steelmakers, Eurofer.

CORPORATE NEWS

Cadbury mounts defense against Kraft

U.K. candy maker, raising sales and profit-margin targets, makes impassioned plea to shareholders to reject takeover bid

By Cecilie Rohwedder

LONDON—British candy maker **Cadbury** PLC promised investors higher sales and profit margins over the next four years and asked them to reject a takeover bid from **Kraft Food** Inc. that it again called "derisory" in a defense document issued Monday.

As part of an impassioned plea to shareholders to turn down Kraft's £9.9 billion ($16.2 billion) offer, Cadbury made sweeping promises to shareholders that included higher dividends and greater returns.

Remarks by Cadbury Chairman Roger Carr and Chief Executive Officer Todd Stitzer, made in a dimly lit auditorium at the offices of **Goldman Sachs Group**, one of the banks advising Cadbury, were also rife with the antagonistic language that has marked the takeover battle since an initial, informal approach from Kraft in September.

"There is no strategic, managerial, operational or financial merit in combining with Kraft," said Mr. Carr. "In fact, we believe that the reverse is true."

Cadbury's defense against Kraft is part of a tightly regulated, 60-day offer period that officially began when Kraft posted its formal bid to Cadbury's shareholders on Dec. 4. That day also started the clock for potential third-party bidders, such as U.S. chocolate maker **Hershey** Co., to make an offer of their own.

Mr. Carr noted that Hershey and Italian chocolate firm **Ferrero International** SA had expressed an interest in Cadbury but said any outside suitor would have to have a credible and fully financed offer "to trigger sensible conversations" with Cadbury.

Meanwhile, Cadbury said it was upgrading its target for long-term revenue growth to between 5% and 7% a year, up from 4% to 6% previously. It promised margins of 16% to 18% a year by 2013, a step up from earlier promises of margins in the "midteens" by 2011. And it pledged to increase dividends by at least 10% a year, up from 6% in 2008.

Cadbury's Mr. Stitzer, wearing a tie in Cadbury's trademark purple, said a large part of the new sales growth would come from emerging markets such as India and Latin America, where sales would increase between 10% and 12% per year going forward. Gains would also come from categories like premium chocolate, breath-freshening or tooth-friendly chewing gum and healthier candy, he said.

To boost profitability, he said Cadbury would continue to cut costs, improve its supply chain and invest in marketing. Overall, he said there would be "substantial cash generation available to create value for shareholders."

"We believe this strategy provides a compelling case for an independent Cadbury," said Mr. Stitzer. He said the new targets didn't emerge under pressure to fend off Kraft, but originated in a review of Cadbury's business in the middle of last year, well before the "unwelcome approach" from Kraft.

Cadbury said its performance through the end of November was in line with expectations of growth "in the middle of the 4% to 5% range" outlined in October. The company, the world's second-largest confectionery company after **Mars** Inc., said it was recording "good sales and market-share growth" in the U.S. gum business and an improvement in its underlying operating margin.

Cadbury executives hope shareholders will be swayed. "This morning [the company] has revealed the roadmap to deliver further material shareholder value," said Mr. Carr, the chairman. "[Cadbury] has a heritage and a future that must be paid for. The offer from Kraft ignores the past, undervalues the present, is blind to the future, deserves rejection and will be vigorously defended [against]."

Associated Press

Cadbury's executives, from left, CFO Andrew Bonfield, Chairman Roger Carr and CEO Todd Stitzer said Monday in London that the company would resist a takeover bid from Kraft Foods.

Target marketing

Cadbury boosts revenue, profitability targets

Annual revenue growth
- New: **5% to 7%**
- Old: **4% to 6%**

Operating margin
- New: **16% to 18% by 2013**
- Old: **"midteens" by 2011**

Dividend growth
- New: **at least 10% a year**
- Old: **6% in 2008**

Chinese car maker to purchase pieces of GM's Saab

By Dominic Chopping and Patricia Jiayi Ho

General Motors Co.'s Saab Automobile AB unit and China's **Beijing Automotive Industry Holdings** Co. on Monday said Saab has closed on the sale of certain assets, including intellectual property for two sedans and equipment to produce those cars, to Beijing Auto.

Beijing Auto, China's fifth-largest car maker by sales volume, has bought intellectual property rights for some Saab 9-3 models, the current 9-5 models, and powertrain technology and tooling.

The announcement confirms a Wall Street Journal article Sunday.

The Swedish car maker said that tooling for its current 9-5 model will move to China, where it will be used to make Beijing Auto vehicles, and Saab will assist Beijing Auto in integrating the technology into its vehicles.

The auto makers didn't provide financial terms of the transaction.

"This arrangement is excellent for both parties, now and for the future," said Jan Ake Jonsson, managing director of Saab Automobile. "We have developed a good relationship with BAIC and look forward to working with them to integrate this Saab technology into their future vehicles."

The deal is part of a broader push by China to create a small number of globally competitive auto makers through domestic consolidation and by acquiring foreign auto makers or their technology.

Chinese car makers are gaining strength thanks in part to a home market that has boomed as the rest of the world's car markets have sputtered. China is on track to post total vehicle sales of more than 13 million this year, surpassing the U.S. as the world's biggest auto market.

Selling Saab is a key element of GM's revitalization strategy, but the U.S. auto maker has struggled to seal a deal.

Last month, Swedish sports-car maker **Koenigsegg Group** AB unexpectedly dropped a separate bid for Saab. Beijing Auto had been putting the finishing touches on a deal to help Koenigsegg finance that acquisition, in exchange for which the Chinese company was supposed to secure access to Saab's technology and know-how.

Toyota progresses on plug-in hybrid in competition with electric cars

Continued from page 21

electric battery cars and other clean-energy cars, say government subsidies are key if pricey alternative-energy vehicles are to be feasible in China on a large scale for consumers and producers.

Daimler's Mercedes-Benz unit currently sells the S400 Hybrid in China, which is based on conventional hybrid technology. Electric vehicles and plug-in cars use newer technology that allows vehicles to be driven exclusively or primarily on electricity.

Nissan said in November it plans to test-market its Leaf electric in China in 2011 by making it available to government agencies and other fleet customers in the city of Wuhan. And **General Motors** Co. intends to launch the plug-in hybrid electric vehicle Chevrolet Volt in China, starting in 2011.

The Volt is powered by lithium-ion batteries supplemented by a gasoline engine.

Zero or low-emission cars are becoming more crucial as emissions regulations become stricter worldwide. But auto makers are struggling to make hefty investments to move the technology forward. Some makers are looking to forge new alliances to share costs and take advantage of their partners' technologies.

Last week, **Volkswagen** AG said it would buy a 20% stake in **Suzuki Motor** Corp., which will also take a stake in its German peer. PSA **Peugeot-Citroën** and Mitsubishi Motors are also talking about a possible capital alliance.

Electric cars' driving ranges are limited to around 160 kilometers. Also, the scarcity of infrastructure causes potential users to worry about finding a place to recharge the cars when the batteries run low. Prices are also high.

The plug-in hybrid version of the Prius, which boasts fuel-efficiency of 57 kilometers a liter, can run about 23 kilometers with a fully charged lithium-ion battery.

With the aid of its combustion engine, it can travel up to 1,400 kilometers.

Mr. Uchiyamada said the price for the mass-market model hasn't been set yet. He said he hopes to limit the extra charge for the plug-in model to less than 1 million yen, or about $11,000, noting that some U.S. customers spend about that amount to remodel their Prius cars into plug-in versions.

Meanwhile, Daimler said more Mercedes-Benz buyers in China are turning to financing rather than cash for their purchases, perhaps reflecting a slowly growing acceptance of credit use.

Ulrich Walker, chairman of Daimler Northeast Asia, said Mercedes-Benz's financing portfolio for retail customers and dealerships in China has doubled to 4 billion yuan ($586 million) from the end of last year.

About 13% of Mercedes-Benz vehicles sold in China were bought on credit, as opposed to cash, Mr. Walker said, without giving last year's rate. In smaller cities, financing rates were as high as 30%, he said.

Those rates are still relatively low and compare with 50% in the U.S. and Europe, according to the company.

Daimler received regulatory approval to offer vehicle leases in February, but Chinese customers have been slow to embrace the concept, Mr. Walker said.

Beijing-based spokesman Trevor Hale said Mercedes-Benz expects its sales in China next year to be "much better" than the overall market's estimated 15%-20% growth. Mercedes-Benz sales in China in the January-November period rose 68% to 59,150 units.

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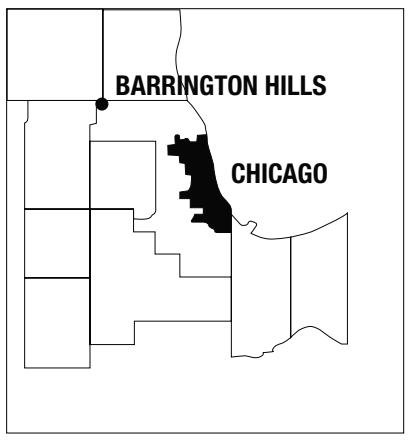

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RETAIL BROKERS NETWORK

Fleming joins Morgan

Former Merrill president will head up investment-management arm

By Aaron Lucchetti

Morgan Stanley has tapped former **Merrill Lynch** & Co. President Gregory Fleming to run its investment-management arm.

Mr. Fleming, 46 years old, is the first big hire for incoming Morgan Stanley Chief Executive Officer James Gorman, who takes over the day-to-day operations of the Wall Street firm on Jan. 1. The move follows a reshuffling of senior executives by Mr. Gorman last week.

DEALS & DEAL MAKERS

Mr. Fleming will start at Morgan Stanley in February and become part of an investment-management business that is retooling in an effort to regain its momentum after the financial crisis.

Morgan Stanley's asset-management division had a heavy exposure to real estate and has been hit hard by the bear market. Morgan Stanley decided earlier this year to sell its retail mutual-fund business, Van Kampen, to asset-management specialist **Invesco** Ltd. It also plans to take a minority stake in Invesco when the deal is expected to close next year.

As President of Morgan Stanley Investment Management, Mr. Fleming will also oversee merchant banking, which is part of Morgan Stanley's investment-management division, as well as Morgan Stanley's global research department.

Mr. Gorman said Mr. Fleming's mandate will be to help Morgan Stanley's investment-management unit return to profitability.

"Our objective in asset management remains unchanged: delivering superior performance and world-class solutions to our clients, returning this business to strong and consistent profitability, and rebuilding a best-in-class investment culture that is so critical to our future success," Mr. Gorman told staff in a memo Sunday.

The current heads of merchant banking, investment management and research at Morgan Stanley will report to Mr. Fleming, who will sit on the firm's operating committee and report to Mr. Gorman.

Mr. Gorman, 51 years old, and Mr. Fleming are no strangers; they worked together at Merrill Lynch before Mr. Gorman was hired to run Morgan Stanley's wealth-management business in 2005.

Bloomberg News

Gregory Fleming, in a photo from 2008, was instrumental in the sale of Merrill Lynch to Bank of America. In February, he will become president of Morgan Stanley Investment Management.

Mr. Gorman turned around that business at Morgan Stanley before he was promoted to co-president in the early stages of the financial crisis in late 2007.

Mr. Fleming, a financial-services banker by trade, has a long history working on asset-management matters. He helped put together the combination of Merrill Lynch's investment management business with **BlackRock** Inc. and later took seat on BlackRock's board.

"Greg was involved in arguably the most important money-management transactions" in the 1990s to the early 2000s, said Martin Flanagan, CEO and president of Invesco.

The hire isn't expected to have any effect on the closing of the Invesco-Van Kampen deal, as Morgan Stanley is expected to continue to push into asset-management for institutions while keeping a stake in Invesco, which has a big business in retail money management.

Mr. Fleming also was instrumental in Merrill's emergency sale to **Bank of America** Corp. last fall, on the weekend that Lehman Brothers Holdings Inc. filed for bankruptcy protection. He secured a sale price of $29 a share for the company, widely considered a great deal for Merrill shareholders.

The purchase has come back to haunt Bank of America, which is fighting back a number of regulatory investigations related to its handling of the purchase.

Mr. Fleming left Merrill not long after the sale closed on Jan. 1. Since then, he has been lecturing at Yale Law School while looking to re-enter Wall Street. Over the past year, he was approached on a number of positions, according to people familiar with the matter.

Earlier in his career as a Merrill banker, Mr. Fleming advised clients on several large deals in the asset-management industry. They included both Invesco and companies that have been sold to the firm, according to people familiar with the matter.

"I'm fortunate to have previously worked with Greg for many years and, like so many others throughout the industry, have great respect for his operating skills, his effectiveness in developing and executing growth strategies, and his ability to attract and develop world-class talent," Mr. Gorman said in the staff memo.

"It's a coup for Morgan," as Mr. Fleming could have chosen from dozens of firms interested in hiring him, says Blackstone Group LP President Hamilton James. "Greg is a business builder. He knows a lot of people and will able to recruit well."

Woodside raises funds for LNG production

By Ross Kelly And Lyndal McFarland

SYDNEY—**Woodside Petroleum** Ltd. said Monday it will raise 2.5 billion Australian dollars ($2.28 billion) by selling new shares to help back its transformation into one of the world's biggest producers of liquefied natural gas by 2020.

The decision to raise more capital shows that Woodside is confident it will overcome various obstacles to its LNG growth pipeline, including possible gas shortages and persuading joint-venture partners and governments to support timely development of its projects.

The fund-raising may also reflect concerns about the higher expenses Woodside faces as a renewed resources boom in Australia creates a shortage of skilled workers and boosts labor costs.

Woodside's largest shareholder, **Royal Dutch Shell** PLC, will take up its entitlement in full, meaning it will invest a further A$862 million in the company's shares to retain its 34% stake.

The new shares will be offered through a one-for-12 fully underwritten institutional entitlement offer at A$42.10 each, an 11% discount to their last closing price. Woodside's shares were halted Monday.

Woodside had previously played down the need for an equity raising, but its capital needs accelerated on Dec. 2 when the Australian federal and Western Australia state governments demanded that Woodside and its joint-venture partners speed up development of a gas resource in the Browse Basin.

Woodside confirmed Monday that it expects a decline in full-year oil and gas production in 2010 to 70 million to 75 million barrels of oil equivalent, partly because it sold an Australian asset to raise funds for its LNG plans.

Joint lead managers and underwriters to the entitlement offer are Citigroup Global Markets Australia Pty Ltd., Credit Suisse (Australia) Ltd., and the Australian branch of UBS AG.

Woodside also plans to make an offer to individual investors.

MUFG sets price for giant share sale

By Atsuko Fukase

TOKYO—**Mitsubishi UFJ Financial Group** Inc. set the offering price for its new shares at 428 yen, or $4.83, per share, in a deal that could raise as much as 1.031 trillion yen ($11.58 billion) and could mark the biggest share sale by a Japanese financial institution.

The announcement comes after Japan's largest banking company by assets said last month that it would issue 2.337 billion new shares, including an overallotment option of 163 million shares, to bolster its capital base amid tighter global-banking regulations.

The public offering of new shares will be nearly equally split between domestic and overseas markets, the bank said.

Payment for the public offering is due Dec. 21. After expenses, the Tokyo lender expects net proceeds of as much as 1.026 trillion yen.

The issue price represents a 3.2% discount to MUFG's closing price of 442 yen on Monday.

MUFG's share price has declined about 8.7% due since it disclosed its capital plan on Nov. 18, in part to share-dilution concerns. The Nikkei Stock Average of 225 companies has risen 4.4% since Nov. 18.

MUFG's move is the latest in a series of fund-raising initiatives by Japanese financial institutions in the past year, underscoring their rush for cash to improve capital quality as global financial regulators take a tougher stance on capital requirements.

Japan's major banks have raised about $19 billion by issuing common shares to shore up their capital. MUFG raised more than $4 billion in December last year via common shares. Mizuho Financial Group Inc., Japan's No. 2 lender by assets, raised $6 billion in July. No. 3 Sumitomo Mitsui Financial Group Inc. raised more than $9 billion in June.

Global regulators held discussions earlier this month on proposals to make capital rules more specific.

The mounting pressure to boost capital ratios vexes Japanese banks as they have relatively lower core Tier 1 capital ratios than their Western rivals.

While not clearly defined, core Tier 1 capital usually refers to common stock and retained earnings, excluding preferred shares, preferred subscription securities and deferred tax assets.

MUFG said its capital raising will increase the bank's core Tier 1 capital by 1% from 6.83% as of Sept. 30.

Concerns about capital-raising will likely continue weighing on bank shares over the next year, analysts say.

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Treasurys slip as rescue cuts Dubai risk

By Deborah Levine

NEW YORK—Treasury prices fell back late morning Monday, as a $10 billion rescue deal for ailing Dubai reduced the need for haven assets, while short-term notes were under pressure on caution ahead of the Federal Reserve's meeting on interest rates beginning Tuesday.

U.S. CREDIT MARKETS

The 10-year note was down 1/32 in price to 98 19/32 to yield 3.54%. The two-year note also slipped 1/32, to 99 27/32, to yield 0.83%.

"Look for some consolidation of last week's losses with an unwind of oversold extremes," said John Spinello, Treasury strategist at Jefferies & Co.

Ten-year yields touched a four-month high Friday, after a pair of reports added to evidence that the economy is recovering and reducing the appeal of government debt.

With no economic data on the calendar on Monday, traders turned their attention to the releases coming this week, and the Federal Reserve's two-day policy-setting meeting.Treasurys also tend to rally in the last month of the year.

Of the nine Decembers this decade, yields have ended the month lower six times, said Dan Greenhaus, chief economic strategist at Miller Tabak. The exceptions were 2007, 2006 and 2001.

This year, the 10-year note yield ended November at 3.20%.

Westpac RMBS could revive asset securities

By Enda Curran

SYDNEY—**Westpac Banking** Corp. launched a one billion Australian dollar (US$911.9 million) offer of residential mortgage-backed securities, a move that could herald the reopening of Australia's once-vibrant RMBS market.

BOND MARKETS

Although smaller lenders have recently sold a string of home-loan-backed bonds without the need for government support, Westpac's offer is the first by a major bank since May 2007, just prior to the outbreak of the global credit crunch.

Ratings agency Moody's Investors Service said Westpac's offer is unusual compared with others because only a fraction of the pool of mortgages is insured. It said the deal has a more complex structure, which is a mild negative, offset by greater credit support provided by note subordination.

Asset-backed borrowing had accounted for around a third of Australia's debt market in 2007, with RMBS issuance making up more than half of this amount, but since then issuance has slowed to a trickle. Smaller banks have raised around A$3 billion so far this year through RMBS sales, with no assistance from the government.

The offer from Westpac, the country's second-largest bank by market capitalization, is made up of a pool of home loans that are around three years old with a weighted average loan-to-value ratio of 58.28%.

The issue is divided between A$920 million of Class A notes carrying a preliminary triple-A rating, A$55.0 million of double-A-rated Class B notes and A$25.0 million of Class C bonds, which are not rated. Yield guidance on the Class A notes is 1.30 percentage point over swap, market participants said. Pricing is expected by the end of the week.

Japanese government bonds

Yields rose Monday as players sold safe-haven assets on news of a $10 billion bailout for Dubai, reducing concerns that the emirate's debt problems could again unsettle global financial markets.

The benchmark 10-year yield added 0.015 percentage point to 1.295%.

Yields could continue to rise concern the government may break its previous promise to cap new bond issuance at 44 trillion yen ($494.05 billion) in the fiscal year starting in April, said RuiXue Xu, debt markets strategist at Royal Bank of Scotland. "The budget-related worries will be the major factor in the JGB market into the year-end," she said.

If demand is weak at the government's 1.1 trillion yen auction of 20-year bonds Tuesday, it could further underscore how supply concerns are likely to continue dragging on the super long-end of the curve, analysts said. The 20-year yield firmed 0.0015 percentage point to 2.07%.

Only the short end of the curve was spared from sharper selling Monday; the two-year yield eased 0.01 percentage point to 0.16%. Shorter-dated maturities are the most sensitive to monetary policy, which the Bank of Japan's quarterly *tankan* survey for December released earlier Monday suggested would likely stay extremely loose,

While the December tankan's headline indices showed improvement from September, both big and small firms' capital expenditure plans were the lowest ever for a December survey. The result could add to pressure on the Bank of Japan to implement more easing next year, analysts said, adding that such expectations will likely buoy the shorter-dated securities.

—Andrew Monahan in Tokyo

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Leading 10 Performers

FUND RATING*	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
5	**Orbis SICAV Asia ex-Japan Eq Inv**	Citibank International plc (Luxembourg)	USD	Luxembrg	**91.61**	124.27	2.22	NS
3	**Hamon Selected Asian**	Hamon Asset Management Ltd	USD	Cayman Isl	**89.79**	116.15	-12.10	17.12
5	**Fidelity Asian Values PLC**	FIL Investments International	GBP	United Kingdom	**85.85**	112.49	-9.21	16.15
4	**Scottish Oriental Smaller Co**	First State Investments (UK) Ltd	GBP	United Kingdom	**95.18**	109.56	0.17	17.56
2	**Apollo Tiger**	Apollo Inv Mgmt Ltd	GBP	Guernsey	**90.51**	104.20	-6.62	12.96
1	**Atlantis Asian Recovery**	Atlantis Investment Management Limited	USD	Ireland	**92.77**	99.33	-19.27	7.88
3	**Manulife GF Asian S/C Eq AA**	Manulife Global Fund	USD	Luxembrg	**90.88**	97.76	-7.00	NS
4	**Templeton Asian Growth A YDis $**	Franklin Templeton Investment Funds	USD	Luxembrg	**96.51**	97.59	-11.48	17.04
3	**Asian Market Leaders USD**	Hamon Ireland Limited	USD	Ireland	**96.92**	97.29	-11.13	17.32
2	**DWS Asian Small/Mid Cap**	Deutsche Asset Mgt (Asia)	SGD	Singapore	**91.09**	96.07	-10.02	NS

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

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AHW Top-Div.Int.	GL	EQ	LUX	12/11	EUR	52.75	17.0	5.3	-30.7
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Am Eq Blend A	OT	OT	LUX	12/11	USD	10.24	24.7	29.0	-16.1
Am Eq Blend B	US	EQ	LUX	12/11	USD	9.62	23.5	27.8	-16.9
Am Growth A	US	EQ	LUX	12/11	USD	30.23	32.0	48.4	-7.9
Am Growth AX	US	EQ	LUX	12/11	USD	32.62	32.7	49.2	-7.3
Am Growth B	US	EQ	LUX	12/11	USD	25.43	30.7	46.9	-8.8
Am Growth C	US	EQ	LUX	12/11	USD	27.36	31.5	47.7	-8.2
Am Growth I	US	EQ	LUX	12/11	USD	33.49	33.0	49.6	-7.1
Am Income A	US	BD	LUX	12/11	USD	8.42	24.3	30.2	5.1
Am Income A2	US	BD	LUX	12/11	USD	18.97	24.6	30.3	5.1
Am Income A2	OT	OT	NA	12/11	HKD	147.03	NS	NS	NS
Am Income AT	OT	OT	NA	12/11	HKD	65.26	NS	NS	NS
Am Income AT	US	BD	LUX	12/11	USD	8.42	24.6	30.2	5.1
Am Income B	US	BD	LUX	12/11	USD	8.42	23.4	29.2	4.3
Am Income B2	US	BD	LUX	12/11	USD	16.36	23.8	29.4	4.4
Am Income B2	OT	OT	NA	12/11	HKD	126.80	NS	NS	NS
Am Income BT	OT	OT	NA	12/11	HKD	65.65	NS	NS	NS
Am Income BT	US	BD	LUX	12/11	USD	8.47	23.9	29.4	4.4
Am Income C	US	BD	LUX	12/11	USD	8.42	23.7	29.6	4.5
Am Income C2	US	BD	LUX	12/11	USD	24.32	24.1	29.7	4.7
Am Income I	US	BD	LUX	12/11	USD	8.42	25.0	31.1	5.7
Am Value A	US	EQ	LUX	12/11	USD	8.48	17.6	25.6	-15.0
Am Value B	US	EQ	LUX	12/11	USD	7.81	16.4	24.4	-15.9
Am Value C	US	EQ	LUX	12/11	USD	8.49	17.1	25.2	-15.4
Am Value I	US	EQ	LUX	12/11	USD	9.13	18.6	26.6	-14.3
Emg Mkts Debt A	GL	BD	LUX	12/11	USD	15.57	43.6	51.0	7.5
Emg Mkts Debt A2	GL	BD	LUX	12/11	USD	20.06	44.1	51.2	7.6
Emg Mkts Debt AT	GL	BD	LUX	12/11	USD	15.64	44.1	51.2	7.5
Emg Mkts Debt B	GL	BD	LUX	12/11	USD	15.57	42.3	49.5	6.4
Emg Mkts Debt B2	GL	BD	LUX	12/11	USD	19.32	42.7	49.7	6.4
Emg Mkts Debt BT	GL	BD	LUX	12/11	USD	15.62	42.7	49.6	6.5
Emg Mkts Debt C	GL	BD	LUX	12/11	USD	15.57	43.0	50.3	7.0
Emg Mkts Debt C2	GL	BD	LUX	12/11	USD	19.71	43.4	50.5	7.0
Emg Mkts Debt I	GL	BD	LUX	12/11	USD	15.57	44.2	51.7	8.1
Emg Mkts Growth A	GL	EQ	LUX	12/11	USD	34.03	69.8	70.8	-14.8
Emg Mkts Growth B	GL	EQ	LUX	12/11	USD	28.86	68.3	69.2	-15.6
Emg Mkts Growth C	GL	EQ	LUX	12/11	USD	29.50	69.1	70.0	-15.2
Emg Mkts Growth I	GL	EQ	LUX	12/11	USD	37.71	71.1	72.2	-14.1
Eur Growth A	OT	OT	LUX	12/11	EUR	9.86	21.0	21.4	-19.5
Eur Growth A	OT	OT	LUX	12/11	EUR	6.74	21.0	21.4	-19.5
Eur Growth B	OT	OT	LUX	12/11	EUR	6.06	19.8	20.2	-20.3
Eur Growth B	OT	OT	LUX	12/11	USD	8.86	19.8	20.2	-20.3
Eur Growth C	EU	EQ	LUX	12/11	EUR	5.11	20.5	21.1	-19.8
Eur Growth I	OT	OT	LUX	12/11	USD	10.73	21.7	22.3	-18.9
Eur Growth I	OT	OT	LUX	12/11	EUR	7.34	21.7	22.3	-18.9
Eur Income A	OT	OT	LUX	12/11	EUR	6.60	38.9	38.1	3.7
Eur Income A	OT	OT	LUX	12/11	USD	9.65	38.9	38.1	3.7
Eur Income A2	OT	OT	LUX	12/11	EUR	12.84	39.4	38.4	3.8
Eur Income A2	OT	OT	LUX	12/11	USD	18.78	39.4	38.4	3.8
Eur Income AT	EU	BD	LUX	12/11	EUR	6.61	39.4	38.6	3.8
Eur Income B	OT	OT	LUX	12/11	EUR	6.60	38.1	37.2	3.0
Eur Income B	OT	OT	LUX	12/11	USD	9.65	38.1	37.2	3.0
Eur Income B2	OT	OT	LUX	12/11	EUR	11.94	38.4	37.4	3.0
Eur Income B2	OT	OT	LUX	12/11	USD	17.46	38.4	37.4	3.0
Eur Income BT	EU	BD	LUX	12/11	EUR	6.61	38.6	37.5	3.1
Eur Income C	OT	OT	LUX	12/11	EUR	6.60	38.4	37.5	3.2
Eur Income C	OT	OT	LUX	12/11	USD	9.65	38.4	37.5	3.2
Eur Income C2	OT	OT	LUX	12/11	EUR	12.80	38.8	37.8	3.3
Eur Income C2	OT	OT	LUX	12/11	USD	18.72	38.8	37.8	3.3
Eur Income I	OT	OT	LUX	12/11	EUR	6.60	39.5	39.1	4.2
Eur Income I	OT	OT	LUX	12/11	USD	9.65	39.5	39.1	4.2
Eur Strat Value A	OT	OT	LUX	12/11	EUR	8.28	19.0	16.6	-23.4
Eur Strat Value A	OT	OT	LUX	12/11	USD	12.11	19.0	16.6	-23.4
Eur Strat Value I	OT	OT	LUX	12/11	EUR	8.48	19.9	17.6	-22.7
Eur Strat Value I	OT	OT	LUX	12/11	USD	12.40	19.9	17.6	-22.7
Eur Value A	OT	OT	LUX	12/11	USD	13.06	22.7	21.3	-20.3
Eur Value A	OT	OT	LUX	12/11	EUR	8.93	22.7	21.3	-20.3
Eur Value B	OT	OT	LUX	12/11	EUR	8.22	21.4	20.0	-21.1
Eur Value B	OT	OT	LUX	12/11	USD	12.02	21.4	20.0	-21.1
Eur Value C	OT	OT	LUX	12/11	USD	12.64	22.0	20.7	-20.7
Eur Value C	OT	OT	LUX	12/11	EUR	8.64	22.0	20.7	-20.7
Eur Value I	OT	OT	LUX	12/11	USD	15.08	23.5	22.3	-19.7
Eur Value I	OT	OT	LUX	12/11	EUR	10.31	23.5	22.3	-19.7
Gl Balanced (Euro) A	OT	OT	LUX	12/11	USD	16.58	19.6	21.3	-12.0
Gl Balanced (Euro) B	OT	OT	LUX	12/11	USD	16.16	18.4	20.1	-12.9
Gl Balanced (Euro) C	OT	OT	LUX	12/11	USD	16.45	19.3	21.0	-12.3
Gl Balanced (Euro) I	OT	OT	LUX	12/11	USD	16.88	NS	NS	NS
Gl Balanced A	US	BA	LUX	12/11	USD	16.43	23.6	26.9	-11.2
Gl Balanced B	US	BA	LUX	12/11	USD	15.63	22.5	25.5	-12.1
Gl Balanced C	OT	OT	LUX	12/11	USD	16.19	23.3	26.5	-11.5
Gl Balanced C	OT	OT	LUX	12/11	EUR	11.07	23.3	26.5	-11.5
Gl Balanced I	US	BA	LUX	12/11	USD	17.03	24.4	27.7	-10.6
Gl Bond A	US	BD	LUX	12/11	USD	9.31	13.1	15.9	4.8
Gl Bond A2	US	BD	LUX	12/11	USD	16.10	13.3	15.9	4.8
Gl Bond A2	OT	OT	NA	12/11	HKD	124.78	13.3	15.9	4.8
Gl Bond AT	OT	OT	LUX	12/11	HKD	72.08	13.3	15.9	4.8
Gl Bond AT	US	BD	LUX	12/11	USD	9.30	13.3	15.9	4.8
Gl Bond B	US	BD	LUX	12/11	USD	9.31	12.1	14.7	3.7
Gl Bond B2	US	BD	LUX	12/11	USD	14.10	12.2	14.7	3.7
Gl Bond B2	OT	OT	NA	12/11	HKD	109.28	12.2	14.7	3.7
Gl Bond BT	OT	OT	LUX	12/11	HKD	72.39	12.2	14.7	3.8
Gl Bond BT	US	BD	LUX	12/11	USD	9.34	12.2	14.7	3.8
Gl Bond C	US	BD	LUX	12/11	USD	9.31	12.6	15.3	4.3
Gl Bond C2	US	BD	LUX	12/11	USD	13.97	12.8	15.4	4.3
Gl Bond I	US	BD	LUX	12/11	USD	9.31	13.7	16.5	5.4
Gl Conservative A	US	BA	LUX	12/11	USD	14.87	15.4	17.8	-4.6
Gl Conservative A2	US	BA	LUX	12/11	USD	16.93	16.1	18.6	-4.3
Gl Conservative B	US	BA	LUX	12/11	USD	14.87	14.6	16.9	-5.4
Gl Conservative B2	US	BA	LUX	12/11	USD	16.09	15.0	17.4	-5.2
Gl Conservative C	US	BA	LUX	12/11	USD	14.86	15.0	17.4	-5.0
Gl Conservative C2	US	BA	LUX	12/11	USD	16.56	15.6	18.0	-4.7
Gl Conservative I	US	BA	LUX	12/11	USD	14.93	16.2	18.7	-3.9
Gl Eq Blend A	GL	EQ	LUX	12/11	USD	11.56	29.3	33.0	-22.1
Gl Eq Blend B	GL	EQ	LUX	12/11	USD	10.85	28.1	31.7	-22.9
Gl Eq Blend C	GL	EQ	LUX	12/11	USD	11.36	28.8	32.6	-22.4
Gl Eq Blend I	GL	EQ	LUX	12/11	USD	12.19	30.4	34.3	-21.4
Gl Growth A	GL	EQ	LUX	12/11	USD	41.37	28.3	31.9	-22.9
Gl Growth B	GL	EQ	LUX	12/11	USD	34.55	27.1	30.6	-23.7
Gl Growth C	GL	EQ	LUX	12/11	USD	39.71	27.7	31.3	-23.3
Gl Growth I	GL	EQ	LUX	12/11	USD	45.92	29.3	33.0	-22.3
Gl High Yield A	US	BD	LUX	12/11	USD	4.27	57.3	63.8	3.1
Gl High Yield A2	US	BD	LUX	12/11	USD	9.10	58.0	64.0	3.2
Gl High Yield A2	OT	OT	NA	12/11	HKD	70.53	58.0	64.0	3.2
Gl High Yield AT	OT	OT	NA	12/11	HKD	32.86	58.3	63.8	3.2
Gl High Yield AT	US	BD	LUX	12/11	USD	4.24	58.3	63.8	3.2
Gl High Yield B	US	BD	LUX	12/11	USD	4.27	55.5	61.7	1.9
Gl High Yield B2	US	BD	LUX	12/11	USD	14.64	56.6	62.3	2.2
Gl High Yield B2	OT	OT	NA	12/11	HKD	113.47	56.6	62.3	2.2
Gl High Yield BT	OT	OT	NA	12/11	HKD	33.40	56.3	62.6	2.1
Gl High Yield BT	US	BD	LUX	12/11	USD	4.31	56.3	62.6	2.1
Gl High Yield C	US	BD	LUX	12/11	USD	4.27	56.5	62.9	2.6
Gl High Yield C2	US	BD	LUX	12/11	USD	13.50	57.5	63.2	2.7
Gl High Yield I	US	BD	LUX	12/11	USD	4.27	58.3	65.0	3.8
Gl Thematic Res. A	OT	OT	LUX	12/11	USD	14.52	65.9	70.2	-6.1
Gl Thematic Res. B	OT	OT	LUX	12/11	USD	12.71	64.4	68.6	-7.0
Gl Thematic Res. I	OT	OT	LUX	12/11	USD	16.19	67.3	71.7	-5.3
Gl Value A	GL	EQ	LUX	12/11	USD	11.08	30.5	34.3	-21.2
Gl Value B	GL	EQ	LUX	12/11	USD	10.18	29.2	32.9	-22.0
Gl Value C	GL	EQ	LUX	12/11	USD	10.77	29.9	33.8	-21.6
Gl Value I	GL	EQ	LUX	12/11	USD	11.78	31.5	35.4	-20.6
Greater China A	AS	EQ	LUX	12/11	USD	39.80	55.2	53.8	-17.7
Greater China B	AS	EQ	LUX	12/11	USD	35.24	53.7	52.3	-18.5
Greater China C	AS	EQ	LUX	12/11	USD	39.31	54.5	53.1	-18.1
India Growth A	OT	OT	LUX	12/11	USD	124.89	NS	NS	NS
India Growth AX	OT	OT	LUX	12/11	USD	109.15	88.9	91.3	-10.1
India Growth B	OT	OT	LUX	12/11	USD	130.90	NS	NS	NS
India Growth BX	OT	OT	LUX	12/11	USD	93.35	87.2	89.4	-11.0
India Growth I	EA	EQ	LUX	12/11	USD	113.09	89.7	92.1	-9.8
Int'l Health Care A	OT	EQ	LUX	12/11	USD	135.63	15.5	23.3	-9.6
Int'l Health Care B	OT	EQ	LUX	12/11	USD	114.46	14.4	22.0	-10.5
Int'l Health Care C	OT	EQ	LUX	12/11	USD	130.02	15.0	22.7	-10.0
Int'l Health Care I	OT	EQ	LUX	12/11	USD	148.13	16.4	24.3	-8.9
Int'l Technology A	OT	EQ	LUX	12/11	USD	105.93	44.8	49.3	-13.5
Int'l Technology B	OT	EQ	LUX	12/11	USD	91.83	43.4	47.9	-14.4
Int'l Technology C	OT	EQ	LUX	12/11	USD	102.39	44.2	48.7	-13.9
Int'l Technology I	OT	EQ	LUX	12/11	USD	118.73	45.9	50.5	-12.8
Japan Eq Blend A	JP	EQ	LUX	12/11	JPY	5871.00	9.4	15.7	-25.1
Japan Eq Blend B	JP	EQ	LUX	12/11	JPY	5668.00	8.4	14.5	-25.8
Japan Eq Blend C	JP	EQ	LUX	12/11	JPY	5778.00	8.9	15.1	-25.4
Japan Growth A	JP	EQ	LUX	12/11	JPY	5752.00	3.4	9.3	-25.3
Japan Growth B	JP	EQ	LUX	12/11	JPY	5553.00	2.4	8.2	-26.1
Japan Growth C	JP	EQ	LUX	12/11	JPY	5661.00	2.9	8.8	-25.7
Japan Strat Value A	JP	EQ	LUX	12/11	JPY	5946.00	15.3	21.9	-25.2
Japan Strat Value B	JP	EQ	LUX	12/11	JPY	5746.00	14.2	20.6	-26.0
Japan Strat Value C	JP	EQ	LUX	12/11	JPY	5849.00	14.8	21.3	-25.5
Real Estate Sec. A	OT	EQ	LUX	12/11	USD	14.05	31.7	46.4	-17.9
Real Estate Sec. B	OT	EQ	LUX	12/11	USD	12.85	30.5	44.9	-18.7
Real Estate Sec. I	OT	EQ	LUX	12/11	USD	15.10	32.7	47.6	-17.2
Short Mat Dollar A	US	BD	LUX	12/11	USD	7.22	10.6	11.6	-6.3
Short Mat Dollar A2	US	BD	LUX	12/11	USD	9.71	10.8	11.6	-6.4
Short Mat Dollar AT	US	BD	LUX	12/11	USD	7.22	11.0	11.7	-6.4
Short Mat Dollar B	US	BD	LUX	12/11	USD	7.22	10.2	11.1	-6.8
Short Mat Dollar B2	US	BD	LUX	12/11	USD	9.67	10.4	11.1	-6.8
Short Mat Dollar BT	OT	OT	LUX	12/11	USD	7.23	9.7	10.5	-7.1
Short Mat Dollar C	US	BD	LUX	12/11	USD	7.22	10.2	11.1	-6.8
Short Mat Dollar C2	US	BD	LUX	12/11	USD	13.67	10.4	11.1	-6.8
Short Mat Dollar I	US	BD	LUX	12/11	USD	7.22	11.2	12.2	-5.8

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	10/30	USD	1642.69	69.6	71.6	NS
CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	12/07	USD	120.56	20.6	20.4	9.8
PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	09/30	USD	94.24	12.2	-6.9	-12.2
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	10/30	USD	108.45	5.5	2.5	-34.0
Platinm-Emancipation	OT	OT	USA	10/30	USD	93.58	25.0	9.3	-11.3
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	09/30	USD	59.71	27.4	-18.1	-32.3
Platinm-Nordic	OT	OT	CYM	09/30	SEK	591.49	8.4	-6.2	-19.0
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	10/30	USD	56.60	NS	NS	-38.7
SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
*Closed for New Investments									
Superfund Cayman*	OT	OT	CYM	12/08	USD	43.91	-47.3	-46.5	-2.8
Superfund GCT USD*	GL	EQ	LUX	12/08	USD	2335.00	-36.1	-36.1	-0.6
Superfund Green Gold A (SPC)	OT	OT	CYM	12/08	USD	1049.12	-9.8	0.1	12.5
Superfund Green Gold B (SPC)	OT	OT	CYM	12/08	USD	1033.53	-23.3	-15.4	9.4
Superfund Q-AG*	OT	OT	AUT	12/08	EUR	6761.00	-22.9	-22.5	3.2
WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	OT	OT	CYM	11/30	EUR	972.73	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	11/30	GBP	976.73	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	11/30	USD	1232.74	-2.8	-1.2	3.7
Winton Futures EUR Cls C	OT	OT	VGB	11/30	EUR	202.11	-1.8	-0.1	9.2
Winton Futures GBP Cls D	OT	OT	VGB	11/30	GBP	218.35	-1.6	0.4	10.2
Winton Futures JPY Cls E	OT	OT	VGB	11/30	JPY	14398.02	-2.4	-0.4	6.9
Winton Futures USD Cls B	OT	OT	VGB	11/30	USD	716.94	-2.2	-0.2	8.9
ALLIANZ GLOBAL INVESTORS KAPITALANLAGEGESELLSCHAFT									
Concentra AE	EU	EQ	DEU	12/11	EUR	50.79	30.7	33.4	-13.3
Industria AE	EU	EQ	DEU	12/11	EUR	69.85	33.5	28.4	-18.4
InternRent AE	EU	BD	DEU	12/11	EUR	35.32	4.0	1.2	10.3

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MARKETS

Energy deals help some stocks gain

By Donna Kardos Yesalavich And Peter A. McKay

Stocks rose modestly as acquisition activity in the energy sector boosted sentiment but concerns over the financial sector kept the gains limited.

Also helping stocks, Dubai received $10 billion in financing from Abu Dhabi. The financing will pay part of the debt held by **Dubai World** and its struggling property unit Nakheel.

ABREAST OF THE MARKET

The Dow Jones Industrial Average was up 25 points, or 0.2%, at 10497 in recent trading. **Merck** was its best-performing component, up 1.7%, while technology components **Cisco** and **Hewlett-Packard** were also strong, up 1.4% each.

The technology-heavy Nasdaq Composite Index climbed 0.7%. **Sun Microsystems** jumped 9.9% after **Oracle** said it's had constructive discussions with the European Commission over approval of its deal to buy Sun. Oracle rose 2.1%.

Exxon Mobil tumbled 4% after announcing a $31 billion all-stock acquisition of **XTO Energy**, boosting the oil giant's presence in the natural-gas industry. XTO jumped 15%; the deal represents a 25% premium to XTO's closing price on Friday.

Other energy stocks also moved higher on speculation over what other companies could be acquisition candidates.

Crude-oil futures edged higher. Gold futures also climbed, lifting metals stocks. The dollar weakened. The U.S. Dollar Index, which measures the greenback against a basket of six other currencies, fell 0.3%. Treasurys were mixed, with the two-year note off 1/32 to yield 0.831%, while the 10-year note climbed 1/32 to yield 3.548%.

The Standard & Poor's 500 rose 0.6%, led by its industrials sector and the more defensive health-care and utilities sectors.

The financial sector declined after the House of Representatives passed a bill that would overhaul financial regulation.

"The market has become a lot more defensive in its basic orientation," said Bruce McCain, chief investment strategist at Key Private Bank. "A lot of it has to do with people thinking if they can just hang on and get through the end of the year and protect some of their gains, that's what they're about."

Investors welcomed news of Abu Dhabi's financial support for Dubai World. The state-owned conglomerate's announcement in late November that it wanted to postpone debt payments served as a big reminder to U.S. investors of credit risks overseas.

Banking giant **Citigroup**'s shares fell 4.8% after it reached an agreement with the U.S. Treasury to repay $20 billion of government aid.

Dollar slightly lower against the euro, yen

By Don Curren

The U.S. dollar was lower against the euro and yen Monday morning as the resolution of Dubai's credit crisis was tempered by continued concern over Greek debt.

The euro drew some support from Abu Dhabi's last-minute bailout that allows Dubai World to service a $3.5 billion bond payment due Monday, but investors appeared wary of pushing the single currency too far before Greece unveils its plans for reducing its budget deficit.

CURRENCY MARKETS

Late morning, the dollar bought 88.74 yen, down from 89.06 yen late Friday in New York, while the euro changed hands at $1.4638, up from $1.4629. The euro was at 129.90 yen from 130.29 yen. The U.K. pound was at $1.6282 from $1.6242. The dollar was at 1.0327 Swiss francs from 1.0341 francs.

The dollar initially advanced against the Japanese, but soon gave up its gains, falling to around 88.60 yen as Japanese exporters and bank traders sold into the rally.

The latest Tankan survey by the Bank of Japan was also positive, showing the main diffusion index at -24. This was better than the -27 forecast and well up from the previous quarterly reading of -33. However, reaction to the survey was muted as the data also showed that capital expenditure plans are being cut sharply.

Asia rebounds on Dubai financing agreement

By V. Phani Kumar And Shri Navaratnam

HONG KONG—Asian markets got a positive jolt from news that Dubai received $10 billion in financing from Abu Dhabi, with investors buying stocks and higher-yielding currencies on relief that there would be no default on Dubai bonds maturing Monday.

The firm close followed a weak opening for many markets. Japan's Nikkei Stock Average of 225 companies, which fell as much as 1% during the session, finished the day flat at 10105.68. Hong Kong's Hang Seng Index, which fell more than 1.6% earlier, recovered to end 0.8% up at 22085.75, while China's Shanghai Composite bounced back to finish 1.7% higher at 3302.90. .

ASIAN-PACIFIC STOCKS

"Abu Dhabi has basically indicated that Dubai will be good for its debts," said Marcus Droga, Macquarie Private Wealth senior private client adviser. "It just reinforces previous overtures that Abu Dhabi would assist Dubai and it suggests that the region is going to be OK."

HSBC Holdings rose 1.4% and **Standard Chartered** gained 4.8% in Hong Kong, rebounding from previous losses caused by concerns over their exposure to Dubai World debt.

Commodity-linked shares also played a leading role in the rebound. Commodities trading house **Marubeni Corp.** added 1.5% in Tokyo, **Korea Zinc** Co. rose 2.9% in Seoul, while **Aluminum Corp. of China** added 2.6% in Hong Kong and 4.4% in Shanghai.

The Australian market had lost ground earlier in the day as investors cashed in on some big names to fund their participation in **Woodside Petroleum**'s 2.5 billion Australian dollar ($2.28 billion) entitlement offer. Woodside shares were halted from trading to allow for the institutional placement to be completed. The S&P/ASX 200 gained 0.4% to close at 4654.

In Tokyo, the Bank of Japan's *tankan* survey failed to inspire as it provided mixed signals on the economy, with the better-than-expected headline diffusion index offsetting a weak capital-expenditure gauge, said Daiwa Securities SMBC market analyst Yumi Nishimura.

In South Korea, **Meritz Securities** and **Meritz Investment Bank** surged 14.8% and 9%, respectively, after their boards approved a plan to merge on April 1. Meritz Securities owns a 55.5% stake in Meritz Investment. "Meritz Securities will be able to expand its business scope into loans and deposits, and into foreign currency trading through acquiring licenses from Meritz Investment, thus it's favorable for the brokerage firm," said Ku Yong-uk of Daewoo Securities.

Motherboard and notebook PC maker **Asustek** dropped by the daily limit of 7% in Taipei after saying it would spin off its contract-manufacturing unit Pegatron Technology.

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	12/04	USD	1233.43	21.7	14.0	-9.3
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	12/07	JPY	15580.19	66.2	79.9	0.6
GAM Asia Equity Hedge US	OT	OT	VGB	12/07	USD	291.41	67.0	82.5	2.2
GAM Asia Equity USD	OT	OT	VGB	12/11	USD	649.83	60.4	62.9	-14.8
GAM Asia-Pacific Eq USD	OT	OT	VGB	12/08	USD	1280.08	19.2	36.9	-17.3
GAM Com Glb Bal EUR Op	US	BA	VGB	12/07	EUR	92.97	15.3	19.6	-9.4
GAM Com Glb Bal USD Op	US	BA	VGB	12/07	USD	127.88	15.3	19.6	-9.4
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	12/07	EUR	94.77	21.9	29.7	-16.5
GAM Comp Glb Eq USD Op	GL	EQ	VGB	12/07	USD	127.33	21.9	29.7	-16.5
GAM Comp Glb Gr EUR Op	US	BA	VGB	12/07	EUR	83.61	15.6	21.5	-13.7
GAM Comp Glb Gr USD Op	US	BA	VGB	12/07	USD	126.97	15.6	21.5	-13.7
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	12/04	USD	243.82	33.9	40.2	-13.2
GAM Cross Trading Inc	OT	OT	VGB	12/07	USD	465.16	6.3	6.6	6.6
GAM Diversity CHF Op	OT	OT	VGB	12/07	CHF	94.62	4.6	3.3	-6.8
GAM Diversity EUR Op	OT	OT	VGB	12/07	EUR	650.56	5.4	4.6	-5.2
GAM Diversity USD 2.5XL	OT	OT	VGB	12/07	USD	78.98	9.5	7.4	-19.6
GAM Diversity USD Op	OT	OT	VGB	12/07	USD	683.10	5.4	4.4	-5.7
GAM Dvrsty II CHF Op	OT	OT	VGB	12/07	CHF	99.92	4.4	3.0	-6.5
GAM Dvrsty II EUR Op	OT	OT	VGB	12/07	EUR	139.30	5.0	3.6	-5.3
GAM Dvrsty II USD Op	OT	OT	VGB	12/07	USD	211.02	5.0	3.8	-5.6
GAM DvrstyIII EUR Op	OT	OT	VGB	12/07	EUR	116.03	5.0	3.4	-5.4
GAM DvrstyIII USD Op	OT	OT	VGB	12/07	USD	122.48	5.0	3.5	-5.6
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	12/07	EUR	213.61	8.3	9.0	-5.9
GAM Euro Eq Hdg USD Op	OT	OT	VGB	12/07	USD	198.73	9.1	12.9	-4.3
GAM European Equity USD	OT	OT	VGB	12/10	USD	293.25	24.7	30.0	-15.9
GAM GAMCO	OT	EQ	VGB	12/08	USD	793.73	36.8	52.0	-12.4
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	12/07	EUR	98.44	14.1	14.5	-16.2
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	12/07	USD	103.77	14.6	14.9	-15.5
GAM Gbl Divers USD Inc.	GL	EQ	VGB	12/07	USD	251.73	23.3	32.4	-8.7
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	12/07	USD	290.16	103.2	124.4	20.4
GAM Intrst Trend II	GL	BD	VGB	12/07	USD	93.98	42.2	36.9	-8.0
GAM Intrst Trend Inc	OT	OT	VGB	12/07	USD	249.93	56.9	52.1	-6.6
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	12/07	EUR	115.99	8.6	9.4	-9.1
GAM Japan Eq Hdg USD Op	OT	OT	VGB	12/07	USD	121.28	7.8	14.3	-20.3
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	12/07	JPY	8343.78	8.2	14.7	-20.1
GAM Japan USD	JP	EQ	VGB	12/11	USD	1089.01	3.5	10.9	-19.9
GAM Japan YEN	JP	EQ	VGB	12/11	JPY	8547.61	4.6	9.9	-27.1
GAM Money Mkt EuroOp	EU	MM	VGB	12/10	EUR	51.19	0.1	0.2	1.8
GAM Money Mkt USD	US	MM	VGB	12/10	USD	99.96	-0.1	0.0	0.9
GAM Multi-Arb EUR Op	OT	OT	VGB	12/07	EUR	113.69	1.4	-0.9	-8.4
GAM Multi-Arb USD Op	OT	OT	VGB	12/07	USD	118.72	1.7	-0.7	-8.7
GAM Multi-China EUR Op	OT	OT	VGB	12/07	EUR	168.17	13.2	13.5	-8.5
GAM Multi-China USD Op	OT	OT	VGB	12/07	USD	176.80	13.8	14.1	-9.4
GAM Multi-Emer Mkts GBP	OT	OT	VGB	12/07	GBP	130.40	24.7	23.2	-2.3
GAM Multi-Emer Mkts USD	OT	OT	VGB	12/07	USD	645.81	24.6	23.2	-2.7
GAM Multi-Eur EUR Op	OT	OT	VGB	12/07	EUR	269.11	7.2	6.3	-9.9
GAM Multi-Eur II EUR Op	OT	OT	VGB	12/07	EUR	138.47	7.2	6.2	-10.0
GAM Multi-Eur II USD Op	OT	OT	VGB	12/07	USD	113.24	6.8	5.8	-10.9
GAM Multi-Eur USD Op	OT	OT	VGB	12/07	USD	468.44	6.9	6.0	-10.8
GAM Multi-Nth Am EUR Special	OT	OT	VGB	12/07	EUR	132.75	11.4	11.2	-4.3
GAM Multi-Nth Am USD Special	OT	OT	VGB	12/07	USD	216.32	11.8	11.9	-4.3
GAM Multi-Pac EUR Op	GL	EQ	VGB	12/07	EUR	142.87	4.8	4.6	-4.5
GAM Multi-Pac USD Op	OT	OT	VGB	12/07	USD	164.92	4.9	4.9	-4.8
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	12/04	USD	2554.68	64.2	64.9	9.2
GAM Sing/Malaysia	AS	EQ	VGB	12/11	USD	2524.99	51.7	50.5	-11.7
GAM Sterling Spe Bd Inc	OT	OT	VGB	12/07	GBP	241.71	39.9	39.8	2.1
GAM Trading EUR Inc	OT	OT	VGB	12/07	EUR	324.66	6.2	6.0	7.2
GAM Trading USD Inc	OT	OT	VGB	12/07	USD	971.52	6.4	6.7	6.7
GAM Trdg II IncEUR Op	OT	OT	VGB	12/07	EUR	138.89	6.1	6.3	7.2
GAM Trdg II IncUSD Op	OT	OT	VGB	12/07	USD	315.45	6.4	6.7	6.7
GAM Trdg IV IncEUR Op	OT	OT	VGB	12/07	EUR	146.55	5.9	5.6	6.8
GAM Trdg IV IncUSD Op	OT	OT	VGB	12/07	USD	154.28	6.1	6.1	6.6
GAM Trdg V IncEUR Op	OT	OT	VGB	12/07	EUR	124.26	5.9	5.4	6.7
GAM Trdg V IncUSD Op	OT	OT	VGB	12/07	USD	129.39	6.0	6.0	6.5
GAM TrdgIII IncEUR Op	OT	OT	VGB	12/07	EUR	156.72	6.0	6.0	6.9
GAM TrdgIII IncUSD Op	OT	OT	VGB	12/07	USD	162.25	6.1	6.5	6.6
GAM USDSpecBondInc	US	BD	VGB	12/07	USD	516.87	70.0	70.6	5.8
GAM Worldwide	GL	EQ	VGB	12/10	USD	2222.70	24.1	26.4	-12.0
GAMut Investments	OT	OT	VGB	12/09	USD	7569.02	4.2	5.3	7.7

GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	12/10	CHF	10.73	51.6	36.3	-18.8
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	12/10	EUR	11.36	52.0	43.1	-14.1
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	12/10	GBP	1.53	44.2	47.3	-3.5
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	12/10	USD	13.17	60.6	62.4	-13.8
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	12/10	EUR	96.72	14.4	14.3	-17.8
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	12/10	EUR	93.61	14.4	14.3	-17.8
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	12/10	EUR	10.53	19.7	18.1	-14.1
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	12/10	EUR	175.26	19.7	16.2	-16.5
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	12/10	EUR	160.14	19.6	16.2	-16.5
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	12/10	USD	15.75	26.2	31.6	-16.1
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	12/10	USD	14.28	26.1	31.6	-16.1
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	12/10	USD	5.35	13.7	9.3	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	12/10	EUR	84.42	3.7	4.1	-17.3
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	12/10	EUR	84.42	3.7	4.1	-17.3
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	12/10	JPY	874.85	4.3	9.5	-26.9
GAMStar-JpnEq USD Acc	JP	EQ	IRL	12/10	USD	10.82	2.8	10.1	-20.0
GAMStar-World EqUSD Acc	GL	EQ	IRL	12/10	USD	2200.49	25.0	27.4	-11.5

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*Tel: 9714 363 4041 *Middle East & Developing Africa Fund*

EFG-Hermes Egypt	GL	EQ	BMU	11/30	USD	37.39	8.1	17.6	-22.2
EFG-Hermes MEDA*	GL	EQ	BMU	11/30	USD	22.90	9.3	18.7	-18.4
EFG-Hermes Saudi Arabia Equity	EA	EQ	SAU	12/08	SAR	5.90	NS	NS	NS
EFG-Hermes Telecom	OT	EQ	BMU	11/30	USD	28.65	11.7	14.1	-13.0

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LG Antenna	GL	EQ	BMU	12/04	USD	59.94	75.6	87.3	-10.0
LG Asian Plus	AS	EQ	CYM	12/04	USD	56.80	50.3	59.5	-19.1
LG AsianSmallerCo's	AS	EQ	BMU	12/11	USD	95.96	74.0	81.8	-22.0
LG India	EA	EQ	MUS	12/10	USD	63.77	99.8	125.2	-16.6

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MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110
Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong

American Growth	US	EQ	LUX	12/11	USD	14.79	23.3	23.5	-15.1
American Growth AA	US	EQ	LUX	12/11	USD	0.85	22.9	23.1	-7.7
Asian Equity	AS	EQ	LUX	12/11	USD	2.42	62.0	63.3	-11.3
Asian Equity AA	AS	EQ	LUX	12/11	USD	0.78	61.5	62.8	-11.6
Asian Sm Cap Equity AA	AS	EQ	LUX	12/11	USD	1.15	90.9	97.8	-7.0
China Value A	AS	EQ	LUX	12/11	USD	7.08	63.9	64.5	-8.9
China Value AA	AS	EQ	LUX	12/11	USD	2.23	63.5	64.1	-9.1
Dragon Growth	AS	EQ	LUX	12/11	USD	1.65	67.7	62.9	-11.4
Dragon Growth AA	OT	OT	LUX	12/11	HKD	8.00	67.6	62.5	-12.5
Emg Eastrn Europe A	EU	EQ	LUX	12/11	USD	4.42	87.7	81.3	-21.4
Emg Eastrn Europe AA	EU	EQ	LUX	12/11	USD	1.91	87.5	81.0	-21.5
European Growth	EU	EQ	LUX	12/11	USD	9.10	41.5	45.1	-19.7
European Growth AA	EU	EQ	LUX	12/11	USD	0.65	41.1	44.8	-19.9
Global Contrarain AA	GL	EQ	LUX	12/11	USD	0.86	79.3	89.9	NS
Global Property AA	OT	EQ	LUX	12/11	USD	0.66	43.7	44.7	-18.0
Global Resources AA	OT	EQ	LUX	12/11	USD	1.08	53.0	63.7	-12.5
Healthcare AA	OT	EQ	LUX	12/11	USD	0.92	12.3	18.7	NS
India Equity AA	EA	EQ	LUX	12/11	USD	1.08	77.7	78.8	-19.4
International Growth	GL	EQ	LUX	12/11	USD	3.01	20.7	22.5	-17.6
International Growth AA	GL	EQ	LUX	12/11	USD	0.70	20.4	22.2	-17.8
Japanese Growth	JP	EQ	LUX	12/11	USD	2.79	8.0	12.1	-15.9
Japanese Growth AA	JP	EQ	LUX	12/11	USD	0.73	7.7	11.8	-14.4
Latin America Equity AA	GL	EQ	LUX	12/11	USD	1.28	104.0	101.4	-7.1
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	12/11	USD	1.12	NS	NS	NS
Russia Equity AA	EE	EQ	LUX	12/11	USD	0.62	127.2	107.2	-24.5
Taiwan Equity AA	AS	EQ	LUX	12/11	USD	1.03	76.5	77.9	-2.2
Turkey Equity AA	EE	EQ	LUX	12/11	USD	0.71	94.4	116.5	-17.9
U.S. Bond AA	US	BD	LUX	12/11	USD	1.11	18.0	20.9	7.7
U.S. High Yield Bond AA	US	BD	LUX	12/11	USD	0.78	74.7	77.3	-3.3
U.S. Sm Cap Equity AA	US	EQ	LUX	12/11	USD	0.78	63.6	58.9	-16.4
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	12/11	USD	1.14	7.5	11.3	3.7

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Indonesian Grth Fund	EA	EQ	CYM	12/02	USD	123.32	113.8	166.8	-3.6

Sensible Asset Management
A Value Partners Group company

SENSIBLE ASSET MANAGEMENT LIMITED
www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

Asia Value Formula Fd-B	AS	EQ	CYM	12/11	USD	7.93	84.8	80.6	-8.6

SOCIETE GENERALE
Asset Management

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SGAM Fund

Bonds Eur Hi Yld A	EU	BD	LUX	12/10	EUR	20.33	52.9	54.2	-2.0
Bonds EURO A	EU	BD	LUX	12/10	EUR	41.24	4.4	6.0	5.7
Bonds EUROPE A	EU	BD	LUX	12/10	EUR	39.11	3.2	4.3	4.5
Bonds US OppsCoreplus A	US	BD	LUX	12/10	USD	37.13	17.7	20.6	8.9
Bonds World A	GL	BD	LUX	12/10	USD	43.44	9.1	14.5	8.1
Eq. China A	AS	EQ	LUX	12/11	USD	24.36	63.0	57.2	-16.4
Eq. ConcentratedEuropeA	EU	EQ	LUX	12/10	EUR	25.85	25.5	20.1	-20.0
Eq. Eastern Europe A	EU	EQ	LUX	12/10	EUR	21.48	62.6	42.2	-30.6
Eq. Euroland A	EU	EQ	LUX	12/10	EUR	10.40	13.4	12.2	-22.8
Eq. EurolandCyclclsA	EU	EQ	LUX	12/10	EUR	17.16	24.9	26.5	-17.8
Eq. EurolandFinancialA	OT	EQ	LUX	12/10	EUR	11.05	31.2	22.5	-23.9
Eq. Glbl Emg Cty A	GL	EQ	LUX	12/10	USD	9.50	58.8	61.8	-17.5
Eq. Global A	GL	EQ	LUX	12/10	USD	27.34	30.0	34.0	-16.3
Eq. Global Energy A	OT	EQ	LUX	12/10	USD	17.48	22.6	22.0	-15.2
Eq. Global Technol A	OT	OT	LUX	04/24	USD	4.46	22.1	-29.7	-21.6
Eq. Gold Mines A	OT	EQ	LUX	12/10	USD	31.26	49.5	75.2	2.5
Eq. Pacific A	AS	EQ	LUX	12/11	USD	10.25	60.5	62.1	-15.7
Eq. US Lg Cap Gr A	US	EQ	LUX	12/10	USD	15.05	39.6	38.4	-14.3
Eq. US Rel Val A	US	EQ	LUX	12/10	USD	20.23	30.2	31.7	-17.3
Eq. US Sm Cap Val A	US	EQ	LUX	12/10	USD	15.19	17.4	19.8	-23.2
Money Market EURO A	EU	MM	LUX	12/10	EUR	27.39	1.0	1.2	2.8
Money Market USD A	US	MM	LUX	12/10	USD	15.83	0.5	0.7	1.8

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TNI Mena Real Estate Fund	OT	OT	BMU	12/03	USD	971.15	3.3	-2.9	-26.5
TNI MENA Special Sits Fund	OT	OT	BMU	11/30	USD	1070.31	10.2	10.3	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	12/03	AED	5.13	11.9	-1.7	-30.7

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Intel-Chin MainInd Foc	AS	EQ	CYM	11/30	USD	29.32	82.8	100.8	0.0
Intel-China Converg*	AS	EQ	CYM	11/30	USD	112.36	84.4	103.2	-1.5
VP Classic - A	AS	EQ	CYM	12/11	USD	186.07	82.5	88.6	-3.8
VP CLassic - B	AS	EQ	CYM	12/11	USD	86.75	81.7	87.7	-4.3
VP High Dividend Stk	AS	EQ	CYM	12/07	USD	45.68	83.8	93.8	-1.6

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YMR-N Series

YMR-N Growth Fund	OT	OT	IRL	12/11	JPY	9149.00	6.3	6.8	-27.6
YMR-N Small Cap Fund	OT	OT	IRL	12/11	JPY	6872.00	7.1	9.9	-27.7

Yuki 77 Series

Yuki 77 General	JP	EQ	IRL	12/11	JPY	5997.00	1.6	2.5	-29.7
Yuki 77 Growth	JP	EQ	IRL	12/11	JPY	5502.00	-7.0	-6.2	-34.7

Yuki Chugoku Series

Yuki Chugoku Jpn Gen	JP	EQ	IRL	12/11	JPY	6642.00	6.4	7.1	-26.2
Yuki Chugoku JpnLowP	JP	EQ	IRL	12/11	JPY	7350.00	-10.3	-8.4	-27.2

Yuki Hokuyo Japan Series

Yuki Hokuyo Jpn Gen	JP	EQ	IRL	12/11	JPY	4526.00	-0.5	0.0	-29.9
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	12/11	JPY	5146.00	-2.5	-1.8	-23.5
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	12/11	JPY	5003.00	6.3	8.5	-26.1

Yuki Mizuho Series

Yuki Mizuho Gen Jpn III	OT	OT	IRL	12/11	JPY	4292.00	1.0	1.2	-33.5
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	12/11	JPY	4508.00	0.4	-0.4	-33.8
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	12/11	JPY	6753.00	10.7	11.0	-28.1
Yuki Mizuho Jpn Gen	OT	OT	IRL	12/11	JPY	8377.00	4.4	5.6	-27.9
Yuki Mizuho Jpn Gro	OT	OT	IRL	12/11	JPY	6226.00	-0.4	0.8	-30.5
Yuki Mizuho Jpn Inc	OT	OT	IRL	12/11	JPY	7430.00	-6.6	-6.1	-26.5
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	12/11	JPY	5035.00	1.0	1.0	-28.6
Yuki Mizuho Jpn LowP	OT	OT	IRL	12/11	JPY	11129.00	-1.8	0.5	-24.1
Yuki Mizuho Jpn PGth	OT	OT	IRL	12/11	JPY	7768.00	1.7	2.2	-32.7
Yuki Mizuho Jpn SmCp	OT	OT	IRL	12/11	JPY	7013.00	14.3	15.5	-28.0
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	12/11	JPY	5501.00	5.9	7.0	-24.8
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	12/11	JPY	2624.00	9.9	10.6	-34.5

Yuki Shizuoka Japan Series

Yuki Shizuoka General Japan	JP	EQ	IRL	12/11	JPY	5277.00	3.5	4.7	-28.5

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Synching gold and silver

By Neil Shah

Financial markets are returning to normal after last year's crisis, but gold and silver may be taking a little longer.

One sign is the gold-to-silver ratio, or the price of gold divided by that of silver, which gives investors a sense of when either of the two precious metals is straying too far from its "fair" value. This market gauge, which has averaged about 54 since 1970, jumped to 84 at the height of the financial crisis in the fall of 2008 as investors seeking safety poured into gold.

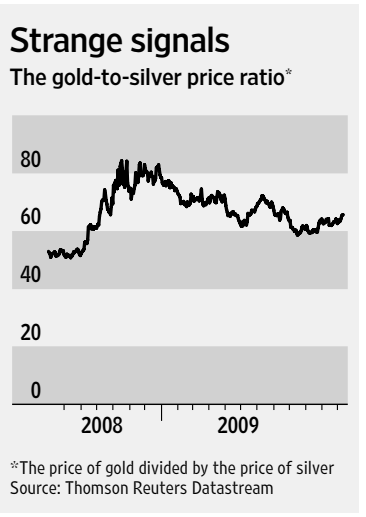
COMMODITY REPORT

Since then, the ratio has fallen back to about 66, thanks to silver's 52% jump in value this year, which has far outstripped gold's 27% gain. But the market's slowness in returning to equilibrium has some analysts scratching their heads over what the next year could hold for the precious-metals market.

Some observers say gold, which until recently had been hitting a nearly continuous series of records, could eventually lose some of its shine, helping restore the ratio to its average.

But there is another possibility: Silver's mammoth gains could simply continue in a rebounding economy, even as gold rises more slowly. That means neither the yellow metal nor its secondary cousin would have to lose.

"There would tend to be a gravitational pullback" to the average, which is somewhere in the 50s, says Neil Meader, research director at GFMS Ltd., a London-based precious-metals consulting firm. Mr. Meader expects gold prices to eventually run out of steam and for silver to continue benefiting from rising industrial demand tied to the global economic recovery.



Of course, the gold-to-silver ratio is only one guide among many that investors and analysts use to track the commodities markets. Such gauges are at their most useful when they are at extreme levels, as they were last autumn.

Meanwhile, historical comparisons back to the 1970s may be tough given how much the precious-metals markets have changed. Walter de Wet, a commodities analyst at Standard Bank in London, says the current ratio is already near the average, if only the last decade is considered.

This month's market gyrations have made investors more nervous about a possible gold-price correction. On Dec. 4, the yellow metal fell 4%, its biggest percentage decline in more than a year, after news that the U.S. unemployment rate fell to 10% in November from 10.2%.

The encouraging data stoked optimism that the U.S. economy might be on the mend and that the Federal Reserve may move more quickly than expected to restore normal interest rates.

Higher rates would make the U.S. dollar more appealing to investors and hurt gold, which competes with the greenback as a safe place for investors to stash their cash. "It's very possible that gold may have tested its highs for the year," Mr. de Wet says.

On Friday, gold for December delivery on the Comex division of the New York Mercantile Exchange dropped 0.6% to $1,119.40 a troy ounce, pushing it further from the settlement record of $1,217.40 set Dec. 3.

The metal fell 4.3% for the week, its worst weekly showing since February. December silver fell 0.5% to $17.084 an ounce on Friday, part of a 7.6% skid for the week.

But a major fall in gold isn't necessary for the ratio to return to its average: After all, the ratio has already narrowed significantly since October 2008 even as gold has risen about 41%.

TSE, in change of heart, won't challenge ruling

By Kazuhiro Shimamura And Ayai Tomisawa

TOKYO—The **Tokyo Stock Exchange** on Monday changed its mind and decided not to appeal a Tokyo court ruling ordering it to pay damages of as much as 10.7 billion yen ($120.1 million) to Mizuho Securities Co., a decision that could potentially result in the exchange incurring a loss for the second year in a row.

The TSE, operator of Asia's largest stock market by capitalization, also said its plans to go public during the next fiscal year are uncertain.

Ten days ago, the exchange had disputed the Tokyo District Court's verdict, which concluded the TSE bore 70% of the responsibility for a misplaced share-trade order by Mizuho Securities. The exchange had also reiterated its plans for an initial public offering sometime after April 2010.

In December 2005, Mizuho Securities, part of **Mizuho Financial Group** Inc., mistakenly placed an order to sell 42 times the number of outstanding shares of recruiter **J-Com** Co.

Mizuho had to settle some of the orders in cash and incurred a loss of about 40 billion yen, but it blamed the TSE for failing to block the erroneous orders. It sought 41.5 billion yen in damages. On Dec. 4, the Tokyo District Court ruled in favor of Mizuho Securities.

The TSE said in a statement Monday that it now wants to focus on revitalizing the stock market without spending any more time on the lawsuit. "We decided to move on," a spokesman said, adding that the exchange is facing major changes next year.

The TSE is scheduled to install a new platform called "arrowhead," which will increase order-processing speed to five milliseconds from the current two to three seconds. It will launch the new platform on Jan. 4.

On Monday, the exchange said business decisions regarding its IPO plan will depend on market conditions.

"How much we get in commissions through new share issuances and how far liquidity will rise on our new trading system will likely to determine the decision," the spokesman said.

Thanks to rising fees from companies issuing new shares amid equity finance deals, "we may still be able to generate profits this fiscal year," he said.

For the fiscal year ended March, the TSE recorded a net loss of 3.7 billion yen amid valuation losses from its equity holdings in Singapore Exchange Ltd. It had posted a net profit of 17.7 billion yen a year earlier.

Following the ruling, TSE President Atsushi Saito had said earlier this month: "I can't deny the possibility our exchange will post losses this fiscal year."

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DOWJONES

China casts its shadow

Continued from page 21

fund, China Investment Corp., has agreed to invest $1.2 billion in mining firms with Mongolian assets. That is about a quarter of Mongolia's gross domestic product, but less than half a percent of CIC's total assets of $300 billion.

China's financial clout unnerves politicians who grew up in an era when Russia was Mongolia's uncontested international ally. "In my generation, more than 50% of engineers were educated in Russia," says a member of Mongolia's parliament involved in foreign relations. "We know Russian technology. It's easier to understand their culture."

Mongolia's leadership is, by necessity, adept at maintaining an equilibrium between the two powers that surround this country of 2.6 million people. In an interview last week, Mongolia's new prime minister, Batbold Sukhbaatar, said he welcomed Chinese investment, but he was also careful to promote "balanced interest and balanced investment" from a number of countries. Translation: we'd like some other investors in here too, thank you.

One person close to the prime minister said that is one reason Mongolia is eager to see **Peabody Energy** Corp. of St. Louis play a role in the development of Mongolia's next big resource project, the Tavan Tolgoi coal mine. Peabody is one of a number of parties interested in the project; China's **Shenhua Group** in another interested party, a person close to the talks has said.

Despite its enormous financial influence, China has kept its profile in Mongolia relatively low-key. It has built up a presence in the mining sector not by acquiring mining assets directly, but through investments in companies with those assets, such as Canadian-listed coal miner SouthGobi Energy Resources Ltd. and Western Prospector Group Ltd., a Canadian uranium exploration company.

Ashar Sayed, World Bank country manager in Ulaanbaatar, sees an admirable restraint in China's behavior toward Mongolia. "It's very different than Africa, where China is very brazen," he says—that is, much more willing to throw its weight around and not afraid to be seen doing it.

Perhaps China is motivated by concern over its international reputation, Mr. Sayed suggests. Or maybe it is an understanding that economics and geography are already in the country's favor. Pushing too hard could prompt an anti-China backlash that might lead Mongolia to seek closer ties with Russia.

> Mongolia's leadership is adept at keeping an equilibrium between the two powers.

There does seem to be a certain inevitability to China's rising influence over Mongolia, especially as the older Russian-educated elite are replaced by a generation with a different perspective. My 20-year-old translator says she studied Russian in school when she was young but lost interest when she got older. Now, she says as she plays a favorite Mandarin pop song on her cellphone, she'd rather learn Chinese.

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
Corn (cents/bu.)	CBOT	**408.00**	3.50	**0.87%**	712.25	315.50
Soybeans (cents/bu.)	CBOT	**1051.00**	8.00	**0.77**	1,560.00	805.00
Wheat (cents/bu.)	CBOT	**543.50**	6.00	**1.12**	1,029.25	459.00
Live cattle (cents/lb.)	CME	**83.875**	0.600	**0.72**	108.600	81.900
Cocoa ($/ton)	ICE-US	**3,415**	21	**0.62**	3,439	1,994
Coffee (cents/lb.)	ICE-US	**146.10**	3.45	**2.42**	188.65	115.00
Sugar (cents/lb.)	ICE-US	**24.93**	0.93	**3.88**	26.25	11.91
Cotton (cents/lb.)	ICE-US	**75.35**	1.04	**1.40**	84.00	49.67
Crude palm oil (ringgit/ton)	MDEX	**2,513.00**	-17	**-0.67%**	2,606	2,013
Cocoa (pounds/ton)	LIFFE	**2,269**	2	**0.09**	2,284	1,310
Robusta coffee ($/ton)	LIFFE	**1,366**	unch.	**unch.**	1,955	1,295
Copper (cents/lb.)	COMEX	**314.70**	1.40	**0.45**	365.00	135.50
Gold ($/troy oz.)	COMEX	**1122.10**	2.20	**0.20**	1,227.50	762.30
Silver (cents/troy oz.)	COMEX	**1725.00**	16.00	**0.94**	2,011.50	1,045.00
Aluminum ($/ton)	LME	**2,283.00**	38.00	**1.69**	2,283.00	1,288.00
Tin ($/ton)	LME	**15,200.00**	-20.00	**-0.13**	15,700.00	9,750.00
Copper ($/ton)	LME	**6,920.00**	10.00	**0.14**	7,100.00	2,815.00
Lead ($/ton)	LME	**2,310.00**	-11.00	**-0.47**	2,487.00	870.00
Zinc ($/ton)	LME	**2,318.00**	-10.00	**-0.43**	2,406.00	1,070.00
Nickel ($/ton)	LME	**16,725**	125	**0.75**	21,150	9,475
Crude oil ($/bbl.)	NYMEX	**71.90**	-0.05	**-0.07**	117.00	47.60
Heating oil ($/gal.)	NYMEX	**1.9194**	0.0109	**0.57**	4.1847	1.3640
RBOB gasoline ($/gal.)	NYMEX	**1.8462**	0.0046	**0.25**	2.7100	1.1525
Natural gas ($/mmBtu)	NYMEX	**5.373**	0.210	**4.07**	12.590	4.550
Brent crude ($/bbl.)	ICE-EU	**73.08**	0.38	**0.52**	145.00	50.00
Gas oil ($/ton)	ICE-EU	**589.50**	7.50	**1.29**	790.00	443.50

Source: Thomson Reuters; WSJ Market Data Group

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Currencies

London close on Dec. 14

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.5814	0.1792	3.8085	0.2626
Brazil real	2.5588	0.3908	1.7460	0.5727
Canada dollar	1.5547	0.6432	1.0609	0.9426
1-mo. forward	1.5547	0.6432	1.0609	0.9426
3-mos. forward	1.5547	0.6432	1.0609	0.9426
6-mos. forward	1.5548	0.6432	1.0609	0.9426
Chile peso	727.18	0.001375	496.20	0.002015
Colombia peso	2922.13	0.0003422	1993.95	0.0005015
Ecuador US dollar-f	1.4655	0.6824	1	1
Mexico peso-a	18.7851	0.0532	12.8182	0.0780
Peru sol	4.2111	0.2375	2.8735	0.3480
Uruguay peso-e	28.797	0.0347	19.650	0.0509
U.S. dollar	1.4655	0.6824	1	1
Venezuela bolivar	3.15	0.317776	2.15	0.465701
ASIA-PACIFIC				
Australia dollar	1.6035	0.6236	1.0942	0.9140
China yuan	10.0067	0.0999	6.8282	0.1465
Hong Kong dollar	11.3600	0.0880	7.7516	0.1290
India rupee	68.4169	0.0146	46.6850	0.0214
Indonesia rupiah	13849	0.0000722	9450	0.0001058
Japan yen	129.65	0.007713	88.47	0.011303
1-mo. forward	129.62	0.007715	88.45	0.011306
3-mos. forward	129.57	0.007718	88.42	0.011310
6-mos. forward	129.45	0.007725	88.33	0.011321
Malaysia ringgit-c	4.9966	0.2001	3.4095	0.2933
New Zealand dollar	2.0151	0.4962	1.3750	0.7273
Pakistan rupee	123.542	0.0081	84.300	0.0119
Philippines peso	67.450	0.0148	46.025	0.0217
Singapore dollar	2.0406	0.4901	1.3924	0.7182
South Korea won	1695.58	0.0005898	1157.00	0.0008643
Taiwan dollar	47.332	0.02113	32.298	0.03096
Thailand baht	48.545	0.02060	33.125	0.03019

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.6824	1.4655
1-mo. forward	1.0001	0.9999	0.6824	1.4654
3-mos. forward	1.0003	0.9997	0.6826	1.4650
6-mos. forward	1.0008	0.9992	0.6829	1.4643
Czech Rep. koruna-b	25.831	0.0387	17.626	0.0567
Denmark krone	7.4420	0.1344	5.0782	0.1969
Hungary forint	274.69	0.003641	187.44	0.005335
Norway krone	8.4725	0.1180	5.7813	0.1730
Poland zloty	4.1586	0.2405	2.8377	0.3524
Russia ruble-d	44.063	0.02269	30.067	0.03326
Sweden krona	10.3851	0.0963	7.0864	0.1411
Switzerland franc	1.5118	0.6615	1.0316	0.9694
1-mo. forward	1.5115	0.6616	1.0314	0.9696
3-mos. forward	1.5109	0.6619	1.0310	0.9699
6-mos. forward	1.5096	0.6624	1.0301	0.9708
Turkey lira	2.2014	0.4543	1.5022	0.6657
U.K. pound	0.9010	1.1098	0.6148	1.6265
1-mo. forward	0.9012	1.1096	0.6150	1.6261
3-mos. forward	0.9016	1.1092	0.6152	1.6255
6-mos. forward	0.9021	1.1085	0.6155	1.6246
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5525	1.8101	0.3770	2.6527
Egypt pound-a	8.0412	0.1244	5.4870	0.1822
Israel shekel	5.5568	0.1800	3.7918	0.2637
Jordan dinar	1.0372	0.9641	0.7078	1.4129
Kuwait dinar	0.4180	2.3922	0.2853	3.5057
Lebanon pound	2200.45	0.0004545	1501.50	0.0006660
Saudi Arabia riyal	5.4961	0.1819	3.7504	0.2666
South Africa rand	10.8648	0.0920	7.4137	0.1349
United Arab dirham	5.3828	0.1858	3.6730	0.2723
SDR -f	0.9239	1.0824	0.6304	1.5863

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	PREVIOUS SESSION Net change	PREVIOUS SESSION Percentage change	PERFORMANCE Yr.-to-date	PERFORMANCE 52-wk.
32	**ASIA-PACIFIC**	DJ Asia-Pacific	123.01	0.69	**0.56%**	31.4%	34.2%
...	Australia	SPX/ASX 200	4654.00	18.78	**0.41**	25.0	29.6
...	China	CBN 600	29339.87	220.27	**0.76**	98.7	84.5
20	Hong Kong	Hang Seng	22085.75	183.64	**0.84**	53.5	46.8
19	India	Sensex	17097.55	-21.48	**-0.13%**	77.2	73.9
...	Indonesia	Jakarta Composite	2506.386	-12.713	**-0.50**	84.9	84.4
...	Japan	Nikkei Stock Average	10105.68	-2.19	**-0.02**	14.1	16.6
...		Topix	885.08	-3.49	**-0.39**	3.0	4.5
...	Malaysia	Kuala Lumpur Composite	1265.45	5.45	**0.43**	44.3	49.5
...	New Zealand	NZSX-50	3098.797	-29.187	**-0.93**	14.1	15.8
8	Pakistan	KSE 100	9280.16	242.86	**2.69**	58.2	5.3
16	Philippines	Manila Composite	3042.10	10.97	**0.36**	62.4	59.0
...	Singapore	Straits Times	2799.54	-1.21	**-0.04**	58.9	57.7
11	South Korea	Kospi	1664.77	7.87	**0.47**	48.0	43.7
21	Taiwan	Weighted	7819.13	24.06	**0.31**	70.3	69.5
10	Thailand	SET	709.74	6.10	**0.87**	57.7	62.4
50	**EUROPE**	DJ Stoxx 600	246.92	1.79	**0.73**	25.4	25.0
22		DJ Stoxx 50	2504.03	20.33	**0.82**	21.2	21.1
62	**Euro Zone**	DJ Euro Stoxx	267.97	1.80	**0.68%**	20.3%	22.4%
20		DJ Euro Stoxx 50	2881.43	19.11	**0.67**	17.5	19.7
18	Denmark	OMX Copenhagen	310.99	-0.88	**-0.28%**	37.5	33.4
20	Finland	OMX Helsinki	6253.10	13.42	**0.22**	15.7	17.0
19	France	CAC-40	3830.44	26.72	**0.70**	19.0	20.2
...	Germany	DAX	5802.26	45.97	**0.80**	20.6	24.7
16	Italy	FTSE MIB	22652.34	240.83	**1.07**	16.4	18.9
...	Netherlands	AEX	322.51	2.37	**0.74**	31.1	30.5
...	Russia	RTSI	1381.91	15.55	**1.14**	118.7	100.5
11	Spain	IBEX 35	11705.9	89.9	**0.77**	27.3	29.7
14	Switzerland	SMI	6433.09	21.51	**0.34**	16.2	16.4
...	Turkey	ISE National 100	50198.39	811.97	**1.64**	86.9	96.1
15	U.K.	FTSE 100	5315.34	53.77	**1.02**	19.9	24.3
21	**AMERICAS**	DJ Americas	293.59	0.88	**0.30**	29.8	35.6
...	Brazil	Bovespa	69428.56	161.09	**0.23**	84.9	80.4
...	Argentina	Merval	2207.39	29.76	**1.37**	104.5	97.5
20	Mexico	IPC	31857.15	-44.54	**-0.14**	42.3	49.6

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Reuters Group PLC is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	Three-yr., annualized
2.23%	20	**DJ Global Index**	225.16	1.13	**1.13%**	35.5%	0.5%	-6.7%
1.89	21	**Global DOW**	1971.82	8.34	**8.34**	33.3	0.4	-2.3
2.40		**Asia/Pacific 600**	115.42	0.80	**0.80**	23.2	0.7	-7.2
1.79	15	**Emerging Markets**	276.28	1.28	**1.28**	80.9	0.5	3.7
2.17	32	**Asia/Pacific**	123.01	0.68	**0.68**	34.2	0.6	-5.1
2.44	13	**Asia/Pacific ex-Japan**	309.79	1.07	**1.07**	72.9	0.3	1.0
2.61	22	**Southeast Asia**	154.88	-0.08	**-0.08**	73.6	-0.1	2.3
0.83	31	**CBN China 600** -c	29339.87	220.28	**220.28**	84.5	0.8	27.2
0.85	34	**Shanghai**	390.60	3.28	**3.28**	84.3	0.8	27.2
0.57	48	**Shenzhen**	421.64	0.08	**0.08**	106.6	0.0	33.6
2.18	20	**China Offshore 50**	4135.73	35.24	**35.24**	53.1	0.9	11.2
8.92	9	**Australia LPT** -c, d	1098.98	9.91	**9.91**	3.1	0.9	-21.3

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	PERFORMANCE Year-to-date	PERFORMANCE 52-wk.	Three-yr., annualized
8.92%	9	**Islamic Market**	1952.48	10.12	**10.12%**	36.4%	0.5%	-2.2%
2.48	16	**Islamic Market 100**	2110.24	8.19	**8.19**	23.7	0.4	-2.9
10.01	14	**Bahrain**	120.67	2.18	**2.18**	-25.4	1.8	-12.9
2.91	31	**Kuwait**	194.99	0.01	**0.01**	-27.5	0.0	-14.9
2.66	20	**Sustainability**	1006.52	6.05	**6.05**	33.4	0.6	-7.3
2.72	50	**Stoxx 600 -p**	267.69	-0.43	**-0.43**	35.2	-0.2	-8.9
4.74	17	**Stoxx Select Div 30 -p**	1758.40	-7.40	**-7.40**	33.0	-0.4	-21.2
3.98	23	**Euro Stoxx Sel Div 30 -p**	2097.13	-11.52	**-11.52**	34.1	-0.6	-16.6
1.78	29	**DJ U.S. TSM**	11379.34	34.88	**34.88**	31.3	0.3	-7.4
3.99	15	**U.S. Select Dividend -d**	651.57	1.75	**1.75**	17.8	0.3	-9.9
4.68		**U.S. REIT**	141.15	-0.45	**-0.45**	32.5	-0.3	-19.3
		DJ-UBS Commodity -p	133.15	0.74	**0.74**	18.2	0.6	-7.7

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

U.S.	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
		1.094	0.615	1.061	6.828	0.682	7.752	46.685	9450.01	88.470	1.375	1156.99	3.409	46.025	1.392	1.032	32.297	33.125
Australia	0.914		0.562	0.970	6.241	0.624	7.085	42.668	8636.84	80.857	1.257	1057.43	3.116	42.065	1.273	0.943	29.518	30.275
Britain	1.626	1.780		1.725	11.106	1.110	12.608	75.931	15369.97	143.892	2.236	1881.79	5.545	74.857	2.265	1.678	52.530	53.876
Canada	0.943	1.031	0.580		6.436	0.643	7.307	44.007	8907.96	83.395	1.296	1090.63	3.214	43.385	1.313	0.972	30.445	31.225
China	0.1465	0.160	0.090	0.155		0.100	1.135	6.837	1383.98	12.957	0.201	169.44	0.499	6.740	0.204	0.151	4.730	4.851
Euro	1.466	1.603	0.901	1.555	10.007		11.360	68.417	13848.99	129.653	2.015	1695.57	4.997	67.450	2.041	1.512	47.332	48.545
Hong Kong	0.129	0.141	0.079	0.137	0.881	0.088		6.023	1219.10	11.413	0.177	149.26	0.440	5.937	0.180	0.133	4.167	4.273
India	0.0214	0.0234	0.0132	0.0227	0.1463	0.0146	0.1660		202.42	1.8950	0.0295	24.78	0.0730	0.9859	0.0298	0.0221	0.6918	0.7095
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0049		0.0094	0.0001	0.12	0.0004	0.0049	0.0001	0.0001	0.0034	0.0035
Japan	0.011	0.012	0.007	0.012	0.077	0.008	0.088	0.528	106.82		0.016	13.08	0.039	0.520	0.016	0.012	0.365	0.374
New Zealand	0.727	0.796	0.447	0.772	4.966	0.496	5.637	33.952	6872.52	64.340		841.42	2.480	33.472	1.013	0.750	23.488	24.090
South Korea	0.0009	0.0009	0.0005	0.0009	0.0059	0.0006	0.0067	0.0404	8.17	0.0765	0.0012		0.0029	0.0398	0.0012	0.0009	0.0279	0.0286
Malaysia	0.293	0.321	0.180	0.311	2.003	0.200	2.274	13.693	2771.67	25.948	0.403	339.34		13.499	0.408	0.303	9.473	9.716
Philippines	0.022	0.024	0.013	0.023	0.148	0.015	0.168	1.014	205.32	1.922	0.030	25.14	0.074		0.030	0.022	0.702	0.720
Singapore	0.718	0.786	0.442	0.762	4.904	0.490	5.567	33.528	6786.85	63.538	0.988	830.93	2.449	33.054		0.741	23.196	23.790
Switzerland	0.969	1.061	0.596	1.028	6.619	0.661	7.514	45.255	9160.54	85.760	1.333	1121.55	3.305	44.615	1.350		31.308	32.110
Taiwan	0.031	0.034	0.019	0.033	0.211	0.021	0.240	1.445	292.59	2.739	0.043	35.82	0.106	1.425	0.043	0.032		1.026
Thailand	0.030	0.033	0.019	0.032	0.206	0.021	0.234	1.409	285.28	2.671	0.042	34.93	0.103	1.389	0.042	0.031	0.975	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of December. 14, 2009

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.50%	25	**ALL COUNTRY (AC) WORLD***	295.90	0.21%	**30.0%**	34.5%
2.50	26	**World (Developed Markets)**	1,155.54	0.13	**25.6**	29.4
1.90	124	**World Small Cap**	185.36	0.33	**38.1**	46.2
2.60	22	**Kokusai (World ex-Japan)**	1,143.63	0.10	**28.2**	31.3
3.10	26	**EAFE**	1,563.32	-0.02	**26.3**	33.8
2.20	20	**Emerging Markets (EM)**	972.79	0.78	**71.6**	84.6
2.60	25	**AC ASIA PACIFIC EX-JAPAN**	407.89	0.53	**64.9**	79.3
2.10	25	**AC Far East ex-Japan**	443.31	0.84	**62.6**	78.8
1.80	35	**Japan**	554.99	1.81	**4.7**	7.7
1.90	20	**China**	65.05	0.80	**59.5**	76.2
0.90	39	**China A (China Domestic)**	3,397.80	-0.07	**95.9**	95.5
2.60	23	**Hong Kong**	10,212.38	0.63	**55.8**	61.6
1.00	21	**India**	694.71	-0.21	**88.2**	100.6
1.10	24	**Korea**	473.87	0.04	**54.4**	58.6
2.40	21	**Malaysia**	465.14	0.11	**44.8**	46.6
3.10	17	**Singapore**	1,568.62	0.69	**57.4**	59.5
2.70	315	**Taiwan**	281.38	1.49	**62.3**	68.0
3.10	20	**Thailand**	285.89	1.71	**54.5**	72.2
4.00	25	**Australia**	953.18	0.52	**24.6**	23.5
5.30	16	**New Zealand**	83.69	-0.35	**10.2**	8.0
1.90	32	**US BROAD MARKET**	1,220.88	0.41	**24.3**	26.2
3.40	17	**EUROPE**	85.23	0.50	**22.8**	17.9

*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

BLUE CHIPS & BONDS

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Brazil	0.26%	**109.6%**	103.3%
Russia	0.50	**94.3**	85.5
China 88	1.39	**85.6**	70.7
Turkey	1.32	**81.8**	89.9
Singapore	-0.05	**60.5**	59.7
South Korea	0.37	**51.0**	44.6
Sweden	0.63	**49.9**	52.6
Hong Kong	0.72	**49.9**	44.3
Netherlands	0.87	**36.9**	38.4
Canada	0.65	**26.9**	34.4
Australia	0.28	**24.2**	28.9
Switzerland	0.23	**22.8**	22.9
South Africa	0.54	**21.4**	24.3
U.K.	0.96	**19.4**	24.2
Italy	1.08	**19.3**	21.5
France	0.37	**19.3**	20.0
Spain	0.60	**14.9**	17.1
Germany	0.55	**14.7**	18.4
Japan	-0.51	**4.4**	6.2

Dow Jones Regional Sector Titans

Basic Res	1.08%	**79.1%**	79.2%
Tiger 50*	0.61	**56.5**	53.4
Auto Parts	0.90	**52.3**	46.9
Nordic 30 -p	0.50	**35.8**	34.8
EU Enlarged†-p	0.69	**31.3**	31.6
Asian 50	0.47	**30.9**	32.8
Global 50	0.32	**20.4**	21.5
Stoxx 50 -p	0.37	**19.2**	19.4
Euro Stoxx 50 -p	0.39	**16.9**	18.3
Arab 50	1.41	**6.6**	-0.3

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Monday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
POSCO	South Korea	Iron Steel	$39.2	597,000	**1.88%**	52.9%	87.4%
Shinhan Financial Grp	South Korea	Banks	19.1	46,500	**1.86**	50.4	-0.6
Westfield Grp	Australia	Retail REITs	25.2	12.13	**1.76**	-9.6	-36.7
Woolworths	Australia	Food Retailers Wholesalers	30.6	27.27	**1.64**	7.7	19.9
China Mobile (HK)	Hong Kong	Mobile Telecommunications	183.0	71.35	**1.42**	-11.9	13.0
Seven I Hldgs	Japan	Broadline Retailers	$19.2	1,882	**-2.99%**	-35.9	-49.0
Mitsubishi UFJ Finl Grp	Japan	Banks	57.8	442.00	**-2.86**	-14.5	-70.7
KDDI	Japan	Mobile Telecommunications	23.6	472,000	**-2.28**	-20.8	-40.9
Nintendo	Japan	Toys	30.5	21,070	**-2.09**	-39.5	-28.2
Mizuho Financial Grp	Japan	Banks	24.8	156.00	**-1.89**	-34.9	-81.8

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Sony Japan (Consumer Electronics)	29.4	2,610	**1.36%**	34.6%	-49.4%

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Cheung Kong (Hldgs) Hong Kong (Real Estate Holding Development)	30.4	101.80	**1.29**	27.3	10.0
Panasonic Japan (Consumer Electronics)	30.2	1,292	**0.94**	23.8	-45.4
QBE Ins Grp Australia (Reinsurance)	21.2	23.17	**0.91**	-5.2	-18.6
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	39.4	119.20	**0.76**	82.4	33.4
Nissan Motor Japan (Automobiles)	37.5	733.00	**0.69**	121.5	-48.1
Hutchison Whampoa Hong Kong (Diversified Industrials)	28.5	51.90	**0.68**	29.1	-33.1
CNOOC Hong Kong (Exploration Production)	70.1	12.16	**0.66**	65.7	75.0
Westpac Bking Australia (Banks)	62.9	23.71	**0.64**	44.3	-0.6
Commonwealth Bk of Australia Australia (Banks)	73.2	52.80	**0.57**	88.2	9.3
PetroChina Hong Kong (Integrated Oil Gas)	26.3	9.67	**0.52**	41.4	-7.4
RioZim Ltd Australia (General Mining)	39.0	70.51	**0.47**	123.9	16.6
BHP Billiton Australia (General Mining)	124.4	40.65	**0.37**	31.6	58.4
Honda Motor Japan (Automobiles)	62.4	3,020	**0.33**	44.8	-30.7
Mitsui Japan (Industrial Suppliers)	25.9	1,267	**0.32**	48.9	-26.6
Indl Comm Bk China Hong Kong (Banks)	69.3	6.47	**0.31**	52.2	51.9
JFE Hldgs Japan (Iron Steel)	20.5	3,430	**0.29**	34.5	-41.7
Canon Japan (Electronic Office Equipment)	52.5	3,760	**0.27**	37.0	-44.1
China Life Ins Hong Kong (Life Insurance)	38.1	39.70	**0.25**	68.9	74.9
Sumitomo Mitsui Finl Japan (Banks)	30.9	2,715	**0.18**	-22.9	-77.9
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	50.3	62.70	**0.16%**	45.0%	-4.4%
China Constr Bk Hong Kong (Banks)	198.6	6.85	**0.15**	52.9	58.2

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

— NOTICE TO READERS —
All statistics published in The Wall Street Journal Asia from markets outside the Asian-Pacific region reflect preliminary data.

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	0.34%	0.71%	1.6%	7.7%	7.7%
Event Driven	0.38	1.46	4.5	14.9	14.7
Equity Long/Short	-0.23	-0.14	-1.1	3.1	-3.0

*Estimates as of 12/10/09, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

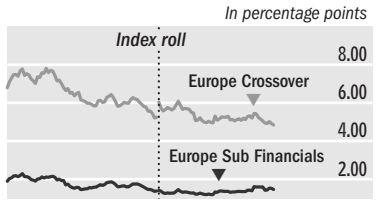
Markit iTraxx Indexes

Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.81	100.88%	0.01%	1.00	0.78	0.86
Eur. High Volatility: 12/1	1.20	99.06	0.01	1.76	1.20	1.42
Europe Crossover: 12/1	4.84	100.61	0.05	6.15	4.84	5.30
Asia ex-Japan IG: 12/1	1.02	99.90	0.01	1.29	0.96	1.10
Japan: 12/1	1.43	97.93	0.01	1.68	0.99	1.33

Note: Data as of December 11

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.



Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Mitsui Chems	118	**-15**	1	10
Mitsubishi Heavy Inds	90	**-5**	-4	10
China Dev Bk	111	**-5**	-4	...
SUZUKI Mtr	73	**-4**	-6	-4
Kajima	345	**-4**	6	120
Mitsubishi Estate	61	**-4**	1	1
Ptt Pub	84	**-3**	-10	-17
Mitsubishi Chem	117	**-3**	1	16
Toyota Tsusho	67	**-3**	-3	10
GS Caltex Oil	102	**-2**	-5	-7

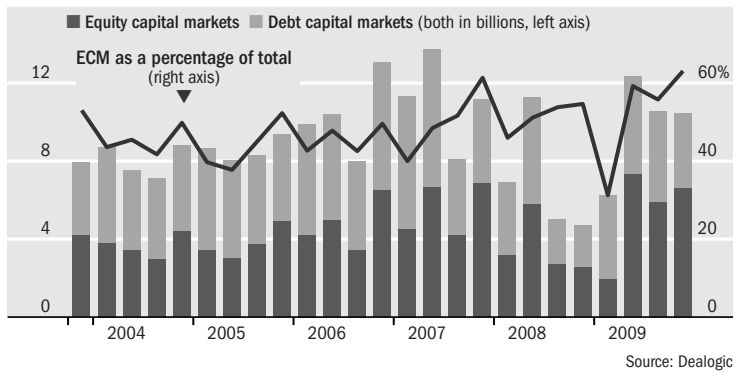
And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Mitsui OSK Lines	136	**6**	13	31
Sumitomo	97	**7**	7	18
Kawasaki Heavy Inds	168	**7**	10	65
Kawasaki Kisen Kaisha	262	**8**	39	100
Itochu	158	**9**	8	21
Taiheiyo Cem	544	**10**	12	44
Shimizu	199	**12**	21	59
Taisei	404	**15**	17	94
Marubeni	225	**19**	25	44
Nishimatsu Constr	556	**28**	4	51

Source: Markit Group

Behind global deals: Bank revenues from equity capital markets

Behind every IPO, follow-on or convertible equity offering is one or more investment banks. At right, investment banks historical and year-to-date revenues from global equity-capital-market (ECM) deals

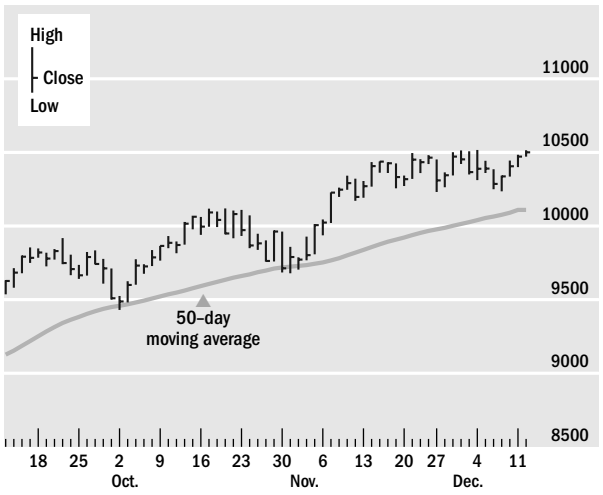


Source: Dealogic

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 18

LAST: **10500.52** ▲ 29.02, or 0.28%
YEAR TO DATE: ▲ **1,724.13, or 19.6%**
OVER 52 WEEKS ▲ **1,935.99, or 22.6%**



Nasdaq Composite Index P/E: 44*

LAST: **2201.91** ▲ 11.60, or 0.53%
YEAR TO DATE: ▲ **624.88, or 39.6%**
OVER 52 WEEKS ▲ **693.57, or 46.0%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**432.7**	$3.76	–$0.11	**–2.72%**
SunMicrsys	JAVA	**93.1**	9.20	0.84	**10.05**
XTO Engy	XTO	**67.8**	47.85	6.36	**15.33**
BankAm	BAC	**55.4**	15.55	–0.09	**–0.54**
FannieMae	FNM	**55.1**	1.10	0.06	**5.77**
SPDR S&P 500	SPY	**46.7**	111.77	0.66	**0.59**
ExxonMobil	XOM	**46.3**	69.86	–2.97	**–4.08**
Motorola	MOT	**27.6**	8.30	–0.25	**–2.94**
FredMac	FRE	**26.8**	1.37	0.11	**8.81**
PwrShrs QQQ	QQQQ	**24.5**	44.42	0.29	**0.67**
SunesisPharm	SNSS	**24.1**	1.95	0.23	**13.37**

Biggest gainers...

CA McroDvc	CAMD	**3,213.4**	$4.66	$1.61	**52.77%**
PatrickInd	PATK	**2.1**	2.47	0.40	**19.32**
MinesMgt	MGN	**158.2**	3.18	0.43	**15.64**
XTO Engy	XTO	**67,785.9**	47.85	6.36	**15.33**
ChBioProdcts	CBPO	**238.0**	10.45	1.25	**13.59**

...Biggest losers

RivrviewBcp	RVSB	**14.9**	$2.40	-$0.43	**-15.19%**
Oshkosh	OSK	**7,714.9**	35.10	-5.86	**-14.31**
TiensBiotchGp	TBV	**140.3**	3.46	-0.57	**-14.12**
ZaleCp	ZLC	**1,041.1**	2.95	-0.30	**-9.38**
ColonyBcp	CBAN	**3.2**	4.26	-0.39	**-8.37**

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**9.60**	$28.11	0.10	**0.35%**
Alcoa	AA	**23.60**	14.82	0.21	**1.44**
AmExpress	AXP	**3.10**	41.24	0.51	**1.26**
BankAm	BAC	**53.50**	15.55	-0.08	**-0.51**
Boeing	BA	**2.20**	55.99	0.39	**0.70**
Caterpillar	CAT	**1.80**	58.14	0.63	**1.10**
Chevron	CVX	**3.60**	78.11	0.35	**0.45**
CiscoSys	CSCO	**14.70**	24.07	0.30	**1.27**
CocaCola	KO	**3.40**	59.37	0.26	**0.44**
Disney	DIS	**4.30**	31.87	0.17	**0.54**
DuPont	DD	**2.40**	32.57	0.34	**1.05**
ExxonMobil	XOM	**44.80**	69.86	-2.97	**-4.08**
GenElec	GE	**20.40**	16.03	0.11	**0.69**
HewlettPk	HPQ	**5.80**	50.60	0.63	**1.26**
HomeDpt	HD	**4.40**	28.71	0.22	**0.77**
Intel	INTC	**15.70**	20.03	0.13	**0.65**
IBM	IBM	**2.20**	129.78	0.10	**0.08**
JPMorgChas	JPM	**14.10**	41.31	0.35	**0.85**
JohnsJohns	JNJ	**3.40**	65.07	0.22	**0.34**
KftFoods	KFT	**2.80**	27.02	0.23	**0.85**
McDonalds	MCD	**2.30**	61.94	0.28	**0.45**
Merck	MRK	**5.00**	37.70	0.63	**1.70**
Microsoft	MSFT	**15.60**	30.07	0.22	**0.74**
Pfizer	PFE	**19.50**	18.35	0.05	**0.27**
ProctGamb	PG	**3.10**	62.97	0.63	**1.01**
3M	MMM	**1.40**	81.93	0.18	**0.22**
TravelersCos	TRV	**1.00**	50.59	-0.11	**-0.22**
UnitedTech	UTX	**1.80**	69.73	0.33	**0.48**
Verizon	VZ	**4.30**	33.77	0.04	**0.12**
WalMart	WMT	**7.80**	53.99	-0.66	**-1.21**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$6.84	$3.71	**Mitsu UFJ Fnl**	MTU	**5,933.5**	$5.00	-0.13	**-2.60%**
11.39	6.36	**Taiwan Semi**	TSM	**2,473.1**	10.83	0.10	**0.93**
78.75	33.09	**BHP Billiton**	BHP	**1,331.3**	75.01	1.26	**1.71**
8.19	3.73	**Siliconware Prec Ind**	SPIL	**839.9**	6.71	0.02	**0.30**
53.29	22.61	**Infosys Tech**	INFY	**732.0**	53.14	0.66	**1.26**
59.22	40.20	**China Mobile**	CHL	**628.9**	46.12	0.22	**0.48**
11.73	6.25	**AU Optrncs**	AUO	**606.2**	11.08	-0.04	**-0.36**
4.63	1.49	**Adv Semi Engrg**	ASX	**562.7**	4.13	-0.04	**-0.96**
3.87	1.65	**Utd Microelectronics**	UMC	**480.7**	3.42	-0.01	**-0.29**
18.80	12.59	**SK Telecom**	SKM	**446.8**	16.87	0.18	**1.08**
9.50	3.96	**Nomura Hldgs**	NMR	**422.3**	7.53	-0.08	**-1.05**
7.10	2.00	**Alumina**	AWC	**393.7**	6.23	0.25	**4.18**
94.00	46.45	**China Petro & Chem**	SNP	**360.1**	88.20	5.25	**6.33**
15.95	8.56	**China Unicom**	CHU	**310.6**	13.18	0.05	**0.38**
32.79	9.91	**Aluminum Cp of China**	ACH	**235.3**	28.44	0.04	**0.14**
135.92	63.94	**PetroChina**	PTR	**196.1**	124.48	0.57	**0.46**
30.82	15.64	**Sony**	SNE	**185.3**	29.26	0.26	**0.90**
17.66	11.30	**KT Corp**	KTC	**177.0**	17.60	0.16	**0.92**
87.67	56.79	**Toyota Motor**	TM	**158.3**	83.20	-1.14	**-1.35**
19.56	15.05	**ChunghwaTel**	CHT	**153.3**	18.04	-0.09	**-0.50**
81.00	37.43	**China Life Ins**	LFC	**132.5**	76.88	0.07	**0.09**
150.50	47.09	**POSCO**	PKX	**122.3**	128.50	1.77	**1.40**
21.72	5.11	**Yanzhou Coal Mining**	YZC	**114.5**	21.62	0.06	**0.28**
34.52	19.60	**Honda Motor**	HMC	**111.5**	33.93	0.08	**0.24**
9.82	5.43	**Telecom Corp of NZ**	NZT	**110.4**	8.71	0.07	**0.81**
34.43	22.65	**Huaneng Power Intl**	HNP	**99.9**	23.19	-0.10	**-0.43**
15.29	6.85	**Korea Elec Pwr**	KEP	**93.1**	14.11	0.03	**0.21**
27.96	17.71	**NTT**	NTT	**76.9**	20.77	-0.13	**-0.62**
167.15	75.59	**CNOOC**	CEO	**74.0**	157.10	1.77	**1.14**
16.60	10.60	**Matsushita Elec**	PC	**71.6**	14.51	0.21	**1.47**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

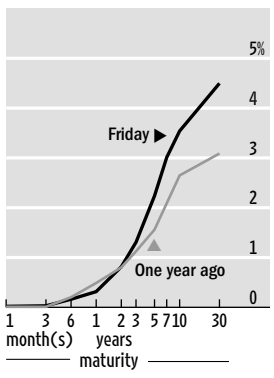
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.530%**	**370.7**	375.0	385.6	**197.7**	**4.560%**	4.670%	**2.743%**
4.500	10	**5.583**	**204.3**	203.1	218.7	**172.8**	**5.568**	5.613	**4.299**
5.250	**Austria** 2	**0.992**	**16.9**	11.0	7.0	**161.5**	**0.920**	0.884	**2.381**
4.350	10	**3.510**	**-3.0**	-0.3	21.7	**158.9**	**3.534**	3.643	**4.160**
3.500	**Belgium** 2	**1.089**	**26.6**	30.2	24.2	**186.5**	**1.112**	1.056	**2.631**
4.000	10	**3.579**	**3.9**	6.2	26.9	**150.2**	**3.599**	3.695	**4.073**
1.250	**Canada** 2	**1.245**	**42.2**	42.7	57.1	**72.1**	**1.237**	1.385	**1.487**
3.750	10	**3.385**	**-15.5**	-14.8	4.4	**51.8**	**3.389**	3.470	**3.089**
4.000	**Denmark** 2	**2.071**	**124.8**	132.3	145.9	**256.2**	**2.133**	2.273	**3.328**
4.000	10	**3.538**	**-0.2**	5.9	26.9	**121.6**	**3.596**	3.695	**3.787**
1.500	**France** 2	**1.177**	**35.4**	40.1	45.9	**173.8**	**1.211**	1.273	**2.504**
3.750	10	**3.440**	**-10.0**	-6.5	19.3	**111.6**	**3.472**	3.619	**3.687**
1.250	**Germany** 2	**1.258**	**43.5**	46.0	38.5	**136.4**	**1.270**	1.199	**2.130**
3.250	10	**3.191**	**-34.9**	-33.3	-6.4	**64.6**	**3.204**	3.362	**3.217**
0.550	**Hong Kong** 2	**0.466**	**-35.7**	-34.9	-27.8	**12.1**	**0.461**	0.536	**0.887**
2.160	10	**2.402**	**-113.8**	-115.2	-111.9	**-93.1**	**2.385**	2.307	**1.640**
3.750	**Italy** 2	**1.545**	**72.2**	84.3	63.7	**256.2**	**1.653**	1.451	**3.328**
4.250	10	**4.005**	**46.5**	47.2	66.7	**204.1**	**4.009**	4.093	**4.612**
0.300	**Japan** 2	**0.175**	**-64.8**	-63.0	-55.4	**-22.6**	**0.180**	0.260	**0.540**
1.300	10	**1.306**	**-223.4**	-225.1	-204.6	**-117.6**	**1.286**	1.380	**1.395**
4.000	**Netherlands** 2	**0.883**	**6.0**	6.1	7.4	**163.3**	**0.871**	0.888	**2.399**
4.000	10	**3.433**	**-10.7**	-7.6	15.2	**128.8**	**3.461**	3.578	**3.859**
3.200	**Portugal** 2	**1.282**	**45.9**	47.8	33.4	**224.0**	**1.288**	1.148	**3.006**
4.750	10	**3.870**	**33.0**	33.3	39.4	**161.6**	**3.870**	3.820	**4.187**
5.350	**Spain** 2	**1.417**	**59.4**	66.8	53.5	**206.0**	**1.478**	1.349	**2.826**
4.300	10	**3.816**	**27.6**	27.1	43.5	**147.4**	**3.808**	3.861	**4.045**
4.000	**Switzerland** 2	**0.382**	**-44.1**	-42.8	-35.3	**7.9**	**0.382**	0.461	**0.845**
3.000	10	**1.904**	**-163.6**	-163.3	-143.8	**-31.6**	**1.904**	1.988	**2.255**
3.250	**U.K.** 2	**1.225**	**40.2**	42.7	53.7	**93.6**	**1.237**	1.351	**1.702**
4.500	10	**3.849**	**30.9**	31.9	37.3	**102.7**	**3.856**	3.799	**3.598**
0.750	**U.S.** 2	**0.823**	**...**	...	...	**...**	**0.810**	0.814	**0.766**
3.375	10	**3.540**	**...**	...	...	**...**	**3.537**	3.426	**2.571**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.497%**	16.40	–4.75%	–6.24%	–24.04%	–18.36%
10-year Treasury	**3.540**	8.34	–2.68	–1.20	–7.29	–4.05
7 Year Treasury	**3.010**	6.28	–1.89	0.38	...	...
Five-year Treasury	**2.238**	4.69	–1.01	1.21	1.18	1.73
Ryan Index	**2.568**	6.77	–1.84	–0.69	–5.06	–2.74
3 Year Treasury	**1.306**	2.94	–0.38	1.09	2.17	2.68
Two-year Treasury	**0.814**	1.95	–0.26	0.67	1.81	2.06
1 Year Treasury	**0.315**	0.94	–0.05	0.25	1.01	1.22
Six-month Treasury	**0.162**	0.50	0.01	0.07	0.64	0.72
Ryan Cash Index-a	**0.132**	0.44	–0.01	0.10	0.54	0.61
Three-month bill	**0.030**	0.25	0.01	0.05	0.36	0.35
One-month bill	**0.020**	0.07	0.01	0.02	0.14	0.15

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	4.00%
Canada	**2.25**	3.50
Japan	**1.475**	1.675
Britain	**0.50**	2.00
ECB	**1.00**	2.50
Switzerland	**0.53**	2.03
Australia	**3.75**	4.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.23250%**	0.96125%
Three month	**0.25375**	1.87125
Six month	**0.45313**	2.21625
One year	**1.00063**	2.43000

	Latest	52 wks ago
Euro Libor		
One month	**0.45688%**	2.94125%
Three month	**0.67625**	3.24750
Six month	**0.97875**	3.33500
One year	**1.22625**	3.43375
Hibor		
One month	**0.05000**	0.72071%
Three month	**0.09929**	1.51929
Six month	**0.22643**	2.05357
One year	**0.53429**	2.20429
Asian dollars		
One month	**0.2433%**	1.02%
Three month	**0.2667**	1.9000
Six month	**0.4700**	2.2600
One year	**1.0067**	2.4600

	Offer	Bid
Eurodollars		
One month	**0.2900%**	0.1900%
Three month	**0.3200**	0.2200
Six month	**0.3900**	0.2900
One year	**0.6000**	0.5000

	Latest	52 wks ago
U.S. discount	**0.50%**	1.25%
Fed-funds target	**0.25**	1.00
Call money	**2.00**	2.75
Overnight repurchase rates		
U.S.	**0.21%**	0.18%
U.K. (BBA)	**0.480**	2.000
Euro zone	**0.38**	2.25

Sources: WSJ Market Data Group; Reuters

HEARD ON THE STREET

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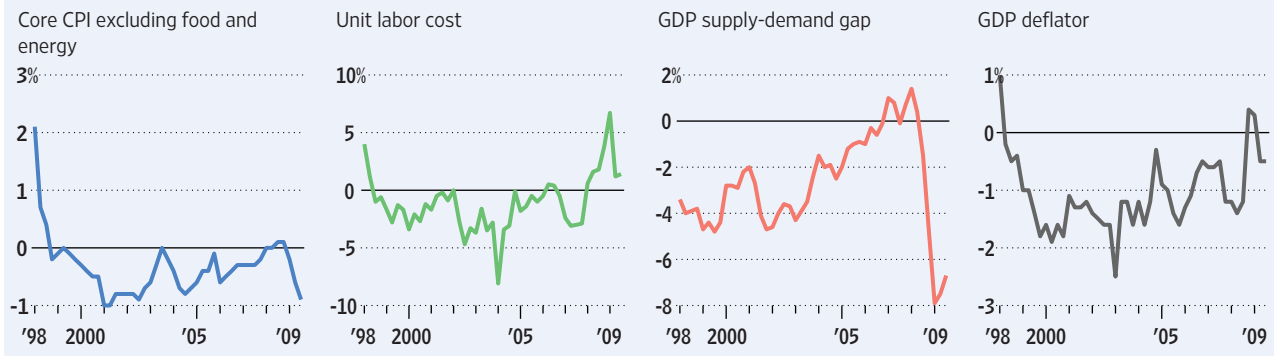
Japan's four horsemen

Indicators the government uses to assess deflation. Quarterly data, change from previous year*



* GDP deflator is in actual percent

Sources: Government; Reuters (photo)

Japan needs policy change

A central bank scofflaw?

The Bank of Japan is mandated to achieve price stability, yet prices—gauged by consumer items, corporate goods and services, the gross-domestic-product deflator or unit labor costs—have fallen for much of the past decade.

When prices fall, debt is harder to pay off, companies lose pricing power and consumers delay purchases, a potent mix that can cripple an economy, as Japan has learned the hard way. The central bank's latest *tankan* business survey showed Monday that companies expect their product prices to continue falling.

Tokyo needs an extreme rethink of its policies to shock the economy out of its deflationary stupor. Given the Bank of Japan's record of tolerance of deflation, the change would need to be legislated.

Not that the central bank has done nothing at all. Earlier this month, it introduced a new lending facility it hopes will channel more funds into the slack economy. It's just not doing enough.

First, the Bank of Japan could adopt a price-level target, a policy that hasn't been implemented by a central bank since a deflation-ridden Sweden used it to help lift prices in the 1930s.

This would involve setting a target for the future price level and varying the inflation rate to bring prices toward that level over the prescribed period—even to make up for past deflation. Unlike an inflation target, a policy that aims to keep prices rising at a predetermined rate, a price-level target policy would require the Bank of Japan to accelerate or slow price rises as needed to hit the target within the set timeframe.

The government and central bank could follow through on their promises to "work together" to great effect if the Finance Ministry were to sell yen in the foreign-exchange market and the Bank of Japan were to leave it there. That would push the yen down, helping exporters and easing downward pressure on consumer prices.

Finally, the central bank could increase outright purchases of Japanese government bonds, which would help fund more public spending or tax cuts while also pumping more cash into the financial system.

The Bank of Japan has balked at this idea before, noting an internal rule caps the amount of government bonds it can buy, and citing potential balance-sheet damage should bond prices fall.

Neither excuse flies. The rule can be changed. And, according to a 2003 proposal from Keidanren, Japan's big business lobby, the central bank could reduce its balance-sheet risk by entering into an interest-rate-swap agreement with the government.

It's about time Japan tries something new.

—James Simms

Costly perks in junk-bond ETFs

Exchange-traded funds have given individual investors a honeymoon in the high-yield market. Over time, it could become a love-hate relationship.

Following a disastrous 2008, high-yield bonds have outperformed virtually every asset class, with the BarCap U.S. Corporate High Yield index up 55% so far this year. While high-yield bonds trade thinly, ETFs such as **iBoxx $ High Yield Corporate Bond Fund** and **SPDR Barclays Capital High Yield Bond** ETF provide a way to own them through a liquid vehicle.

But investors beware: The high-yield boom has packed premiums onto ETFs that may not last. Inflows to high-yield ETFs have been virtually nonstop in the past few years. In order for new units to be created, third parties such as investment banks purchase the underlying bonds in the high-yield market, where transaction costs are high. But such banks will create units to sell to ETF managers only if it's profitable, or when units are worth more than the cost of the bonds. When the high-yield market was nearly frozen in December 2008, high-yield ETFs traded at premiums of more than 10%, compared with about 1% in today's healthier market.

High-yield ETFs also struggle to keep up with benchmark bond indexes. That's because they sometimes trade bonds that are dropped or added to indexes, incurring transaction costs.

Even so, high-yield ETFs offer better liquidity than investors likely can find elsewhere. When high-yield bond markets came to a standstill last year, the ETF market remained active and deep. Investors should just remember such perks don't come for free.

—John Jannarone

Iraq is wild card in supply of oil

Ten years ago, U.S. Energy Secretary Bill Richardson was hinting at a potential release of oil from the country's strategic reserves to cool prices, then at the heady level of $25 a barrel. As 2009 draws to a close, many regard Friday's price of $69.87 as a buy.

Surging demand from countries like Brazil, Russia, India and China trashed prevailing wisdom. The BRIC nations accounted for 61% of demand growth over the past decade, according to the International Energy Agency.

As important, however, was a squeeze on supply. The Energy Policy Research Foundation has estimated disruption caused by factors like war and resource nationalism lowered potential global output by between 2.5 million and 4.5 million barrels per day in the second half of this decade. That is a lot when you consider OPEC's buffer of spare capacity fell below two million bpd by mid-2008, when oil prices peaked.

A loosening of supply constraints is the major risk to the expectations of a rebound priced into oil futures.

Meanwhile, in a nod to the BRIC countries that helped define the last decade, consultants PFC Energy has coined its own acronym for the next: BRINK, or Brazil, Russia, Iraq, Nigeria and Kazakhstan.

Brazil has hosted a string of big discoveries, while Russia has defied expectations by overtaking Saudi Arabia's output. Kazakhstan is expanding three major projects, while a tentative peace is allowing Nigeria to start raising output.

The wild card is Iraq, where more licenses for foreign oil companies were awarded last week. Contract terms encourage firms to maximize output quickly. Winners to date aim to boost output from five fields 12-fold to 8.5 million bpd.

Given Iraq's fragile peace and ravaged infrastructure, that looks unrealistic. But even if production increased by a more conservative 1.5 million bpd by 2015, it could pressure oil prices through unsettling the organization Iraq helped found 39 years ago: the Organization of Petroleum Exporting Countries.

OPEC projects the world will require an extra 3.2 million bpd from OPEC by 2015 to meet demand. Leaving aside the fact that effective spare capacity is already 5.4 million bpd, Iraq's increased production would take up more than half of the extra amount required.

OPEC will have to reintegrate Iraq into its quota system eventually. Other members, which have benefited from Iraq's weakened output for years, will be expected to limit their own to make way.

The cartel is struggling to maintain discipline as it is. Compliance with quotas hit 58% in November, down from 83% in March, the IEA says. Many members have large development needs. If sovereign-debt concerns ripple out from places like Dubai to squeeze foreign investment elsewhere, the temptation to pump more oil for cash will increase.

What's more, Iraq's grandiose targets reflect its vast reserves and thirst for recognition and funds. It will likely demand a bigger quota than its old pre-Gulf War level of 3.1 million bpd.

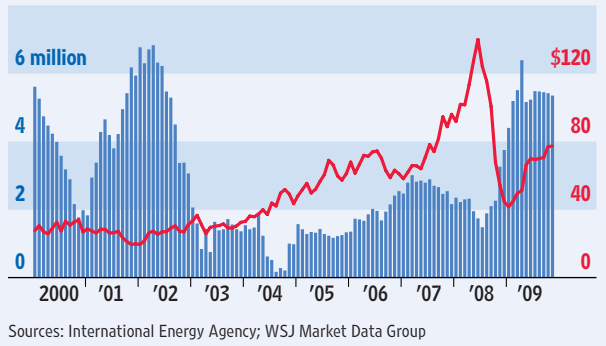
Saudi Arabia, which maintains a large buffer of spare capacity already and whose public finances can better withstand a lower oil price than rivals like Iran, will likely bridle at taking all the pain of accommodating Iraq.

It is worth remembering that when oil prices collapsed in 1986 after the second oil shock, it was due to a combination of competing supplies, lackluster demand growth, and a breakdown in OPEC cohesion.

—Liam Denning

Backup goes back up

■ OPEC effective spare production capacity, in barrels per day
— Nymex crude-oil price per barrel, monthly



Sources: International Energy Agency; WSJ Market Data Group

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Monday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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Asian index movers...

Nikkei Stock Average
Japan 10105.68
▼ **0.02% or 2.19**

Dubai's bailout helped this market erase almost all of its early losses. Shimizu, a construction firm with Dubai exposure, gained 1.9%.

Stock	Volume in millions	Close	Change Net	Change %
Mtshbsh Fin Grp	**341.76**	442	–13	–2.86
Hitachi	**121.57**	237	2	0.85
Mizuho Financial	**106.75**	156	–3	–1.89
Sanyo Elec	**61.70**	163	–9	–5.23
Nomura Hldgs	**49.03**	663	–14	–2.07

Hang Seng
Hong Kong 22085.75
▲ **0.84% or 183.64**

HSBC rose 1.4% and Standard Chartered climbed 4.8% on the Dubai debt news. Refiner Sinopec jumped 7.3% on lower oil prices, which are good for its margins.

Stock	Volume in millions	Close	Change Net	Change %
ChinaPetroChem	**380.07**	6.91	0.47	7.30
Bank Of China	**338.13**	4.27	–0.01	–0.23
CCB	**325.56**	6.85	0.01	0.15
Icbc	**262.12**	6.47	0.02	0.31
PetroChina	**89.70**	9.67	0.05	0.52

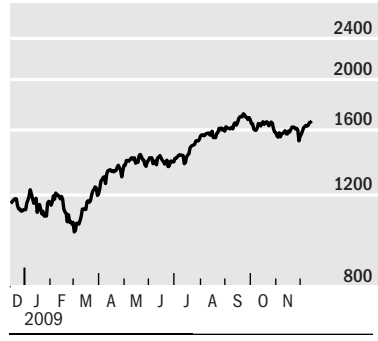
CBN 600
China 29339.87
▲ **0.76% or 220.27**

This index reversed course on the Dubai news. Banks recovered some of last week's losses. Industrial & Commercial Bank of China rose 1.7%; Bank of China firmed 3.1%.

Stock	Volume in millions	Close	Change Net	Change %
China State Con	**372.70**	4.97	0.08	1.64
ChinaPetrol&Chem	**308.01**	13.70	1.06	8.39
ChinaMinshengBkg	**236.74**	7.89	0.15	1.94
United Network	**227.36**	6.66	0.17	2.62
Icbc	**216.92**	5.32	0.09	1.72

Kospi
South Korea 1664.77
▲ **0.47% or 7.87**

This benchmark posted its fourth consecutive gain to close at its highest level since Sept. 30. Korea Power Engineering soared by the daily 15% limit on its debut.



Stock	Volume in millions	Close	Change Net	Change %
DaewooElec	**30.23**	130	5	4.00
MeritzSec	**20.46**	1,400	180	14.75
DoosanInfracore	**19.56**	16,450	–600	–3.52
Ssangyong Motor	**19.02**	3,695	215	6.18
Meritz Inv Bk	**18.44**	965	80	9.04

Asian stocks in the news

Japan Airlines
Japan ¥98
▲ **3.2% or ¥3**

Shares climbed after the U.S. and Japan reached an "open skies" pact late Friday.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-98.80**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Travel & Leisure	**0.3%**	-0.3%	9.2%
Japan Airlines	**3.2%**	-8.4%	-53.6%

Minebea
Japan ¥478
▲ **3.5% or ¥16**

The company's shares tacked on another day of gains.

Price-to-earnings ratio	**41**
Earnings per share, past four quarters	**11.80**
Dividend yield	**1.5**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**1.0%**	0.7%	43.8%
Minebea	**3.5%**	5.5%	66.0%

Nippon Elec Glass
Japan ¥1,181
▲ **4.5% or ¥51**

The Japanese concern advanced in an overall slightly lower market.

Price-to-earnings ratio	**18**
Earnings per share, past four quarters	**64.30**
Dividend yield	**0.8**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**1.0%**	0.7%	43.8%
Nippon Elec Glass	**4.5%**	4.6%	128.0%

Alumina
Australia A$1.67
▲ **6.4% or A$0.10**

The company's shares gained amid strength in the materials sector.

Price-to-earnings ratio	**18**
Earnings per share, past four quarters	**0.09**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Basic Resources	**0.7%**	0.5%	66.3%
Alumina	**6.4%**	5.4%	45.9%

Denway Motors
Hong Kong HK$4.87
▲ **6.8% or HK$0.31**

Shares surged, recouping most of the losses from recent trading.

Price-to-earnings ratio	**16**
Earnings per share, past four quarters	**0.31**
Dividend yield	**1.2**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Automobiles & Parts	**1.2%**	0.5%	54.3%
Denway Motors	**6.8%**	-9.3%	107.2%

Fletcher Building
New Zealand NZD7.60
▼ **2.3% or NZD0.18**

Sentiment may have been hurt by data that showed a decline in New Zealand home sales.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**...**
Dividend yield	**5.0**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Constructn & Matl	**1.3%**	1.4%	30.7%
Fletcher Building	**-2.3%**	-1.0%	31.9%

VTECH Hldgs
Hong Kong HK$79.55
▼ **2.3% or HK$1.90**

Losses over the past two sessions have totaled 4.4%.

Price-to-earnings ratio	**15**
Earnings per share, past four quarters	**5.23**
Dividend yield	**5.6**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Technology	**0.5%**	0.9%	64.3%
VTECH Hldgs	**-2.3%**	0.6%	194.6%

Mitsui O.S.K. Lines
Japan ¥465
▼ **2.9% or ¥14**

The stock hasn't closed this low since March 6.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**...**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Indus Gds & Svcs	**1.0%**	0.7%	43.8%
Mitsui O.S.K. Lines	**-2.9%**	-9.7%	-23.1%

J. Front Retailing
Japan ¥376
▼ **3.6% or ¥14**

Shares closed at their lowest level since Nov. 30.

Price-to-earnings ratio	**31**
Earnings per share, past four quarters	**12.30**
Dividend yield	**1.6**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Retail	**0.5%**	-0.7%	21.5%
J. Front Retailing	**-3.6%**	-6.2%	-4.6%

Yamaguchi Finl
Japan ¥884
▼ **4.0% or ¥37**

The stock has fallen 5.8% over the past three sessions.

Price-to-earnings ratio	**9**
Earnings per share, past four quarters	**102.10**
Dividend yield	**1.1**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Banks	**-0.04%**	-2.5%	34.5%
Yamaguchi Finl	**-4.0%**	-5.5%	-9.1%

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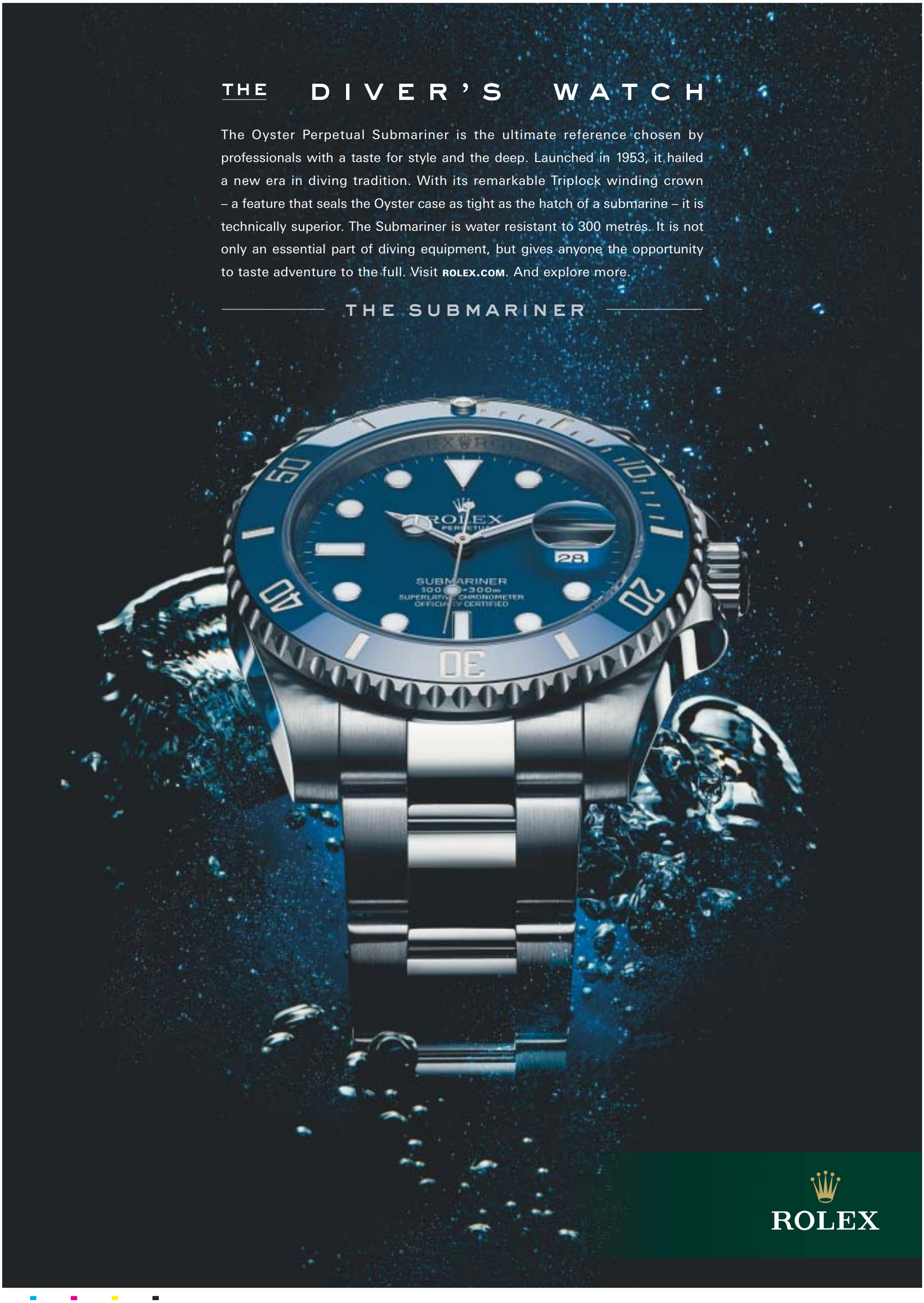

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